ADVANTECH

Enabling an Intelligent Planet

Stock Code:2395

Advantech Co., Ltd.
2019 ANNUAL REPORT

Printing date:April 30, 2020
Website http://mops.twse.com.tw

I. Name, title, and phone of the spokesman:

【**Spokesman**】Name: Jill Su
Title: Manager
Tel.: (02)2792-7818
E-mail: Jill.C.Su@advantech.com.tw

II. Headquarters, Branches, and Plant address and phone:

【Headquarters】Address: No. 1, Alley 20, Lane 26, Rueiguang Road, Neihu District, Taipei City
Tel.: (02)2792-7818

【Factory】 Donghu LCD Computer Factory
Address: 5F, No. 1, Lane 169, Corning Street, Sijhih City
Tel.: (02)2692-6076 (Representative No.)
Donghu Industrial Computer Factory
Address: 6F, No. 1, Lane 169, Corning Street, Sijhih City
Tel.: (02)2692-6076 (Representative No.)
Linkou Industrial Park
Address: No. 27, Wende Road, Guishan District, Taoyuan City
Tel.: (02)2792-7818 (Representative No.)

III. Name, address, and phone of the Stock Agency

Name: KGI Securities Co., Ltd. – Stock Agency Department
Address: 5F, No. 2, Chongqing S. Road, Sec. 1, Taipei City
Website: www.kgieworld.com.tw
Tel.: (02)2389-2999

IV. Name, Firm, address, and phone of the acting independent auditors:

CPAs: Meng Chieh Chiu and Jr-Shian Ke
CPA Firm: Deloitte Taiwan
Address: 12F, No. 156, Min-Sheng E. Road, Taipei City
Website: www.deloitte.com.tw
Tel.: (02)2545-9988

V. Foreign securities exchange corporation listing: None

VI. Website: http：//www.advantech.com.tw

Table of Contents

Letter to Shareholders

Dear Shareholders,

2019 Summary of Results

In 2019, Advantech reported consolidated revenues of NT$ 54.1 billion, an increase of 11.11 percent over the NT$48.7 billion of 2018. Net income was NT$7.35 billion and basic earnings per share were NT$10.51. Gross profit margin was 38.97percent, compared with 38.30 percent in 2018, and operating profit margin was 17.05 percent compared with 15.31 percent in 2018. Net profit margin was 13.58percent, from the previous year's 12.91percent.

By business segment, the revenue growth of Embedded IoT Group, Industrial IoT Group and Service IoT Group were 7%, 0% and 1% YoY respectively in 2019. Cloud IoT Group (aka Network & Communication Group) reported 20% YoY revenues growth, thanks for the rising demand from software defined network (SDN). In addition, Advantech consolidated 80% stake of Advantech Technologies Japan (ATJ) since February. Totally ATJ contributed 4% Advantech revenues in 2019. In US dollar term, Advantech achieved US$1.755 billon revenues in 2019, up 8.5% YoY from US$1.6 billion in 2018.

In 1H of 2020, our biggest operating risk comes from Kushan production shut-down caused by disease prevention of COVID-19, which leads a headwind to the revenue growth. However, we already enhanced our overall operating mechanism in past 3 years (from year 2017 to 2019) and believe we may maintain a stable profit margin in the mid-term.

Our Development for Industrial IoT

Looking forward, we maintain a positive view toward the overall industrial IoT sectors. Thanks to the technology development, including edge computing, AIoT, cloud computing, digital transformation, 5G and etc, a lot of new applications will trigger new demand and facilities upgrade. For product development, firstly, Advantech already built a solid foundation at the embedded board/ system and industrial PC area (the Industrial IoT Phase I business). Now we will enhance the hardware offerings to edge computing level. Secondly, for Industrial IoT Phase II business, driven from industrial software platform and industrial specialized APPs, Advantech believes the real business development will rely on cooperation with external partners to deploy highly customized services, including industrial APP and Edge SRP (solution ready package), to fit into vertical customers' end demand in their field sides. Starting from 2020, Advantech schedules a series of partner summits (online and on-site) to speed up the penetration of Advantech's WISE-PaaS software platform and corresponding hardware services. Finally, we view the demand for Industrial IoT Phase III opportunity will be driven from domain-focused cloud services providers (DFSI), but this area is far beyond Advantech's core competence. Therefore, Advantech will support and enable our partners in this area and participate in the growth through investments.

Our Development for Regional Expansion

Since the establishment in 1983, Advantech already experienced 3 stage of globalization. Now we will kick off the fourth stage of globalization (year 2020~2030). Advantech initiates the concept of Globally Integrated Regional Competence (GIRC). We intend to offer the highly tailored services with domestic features to enhance our competitiveness, including R&D, applications and M&A. In addition to strengthen our engagement with current customers, Advantech will expand our channel coverage and enter into new application markets. At the same time, we will increase our connections with local talents and societies. For emerging market regions (including Southeast Asia, South Asia, Central Asia, the Middle East, Africa, Latin America, and Russia), Advantech Taiwan sales office will be the nerve center to increase the connections between broad base sales offices (the front end) and the product division (back ends).

Strengthening Corporate Governance and Business Leadership

Advantech markets “Advantech” as an industrial brand since the firm start-up and now Advantech has operations in 27 countries around the world. In 2019, Advantech was awarded as the top 5 Taiwan International Brand with the brand value of US$556mn. Since 2017, Advantech transformed the Board Organization to Independent Director System and was rated as the top 5% good governance listed companies in Taiwan in 2016, 2017 and 2018. We intend to leverage our core competence, AIoT, to realize our goal in ESG. To cooperate with colleges and Nonprofit Organizations, we expect to see a safer, more environmental, and more convenient society. We always pursue the best and balanced interests of society, shareholders, customers, and employees.

K.C. Liu
Chairman and CEO of Advantech Co., Ltd.

II. Company Profile

2.1 Date of incorporation: September 7, 1981

2.2 Company history

Year	Important Events
1981	Decided that the official company name would be "Advantech Co., Ltd." and established the company at Sec. 2, Chongqing S. Road, Taipei City, to operate as a business for desktop computer module measurement automation systems. Invested a capital stock of NT$2,000,000
1985	Increased the authorized and paid-in capital to NT$5,000,000. Reorganized the company as a limited company and relocated it to 3F, No. 80, Ningbo W. Street, Taipei City. Launched various standardized PC-based automatic test system products.
1987	Relocated to 2F-1, No. 76, Sec. 3, Roosevelt Rd., Taipei City. Developed and produced PC/XT/AT plug-in data acquisition cards (i.e., the PC-Lab Card series) and launched them domestically and internationally.
1989	Established the Xindian factory at 4F, No. 10/12, Lane 130, Minquan Road, Xindian District, New Taipei County. Developed the industrial PC (IPC) product line and experienced smooth production and sales. This became Advantech's second major product line.
1990	Increased the authorized and paid-in capital to NT$25,000,000. Relocated all non-factory departments to the office at 4F, No. 108-3, Minquan Road, Taipei County.
1991	Increased the authorized and paid-in capital to NT$60,000,000. Integrated the in-house developed industrial-grade CPU card and IPC chassis into a complete industrial-grade PC. Now offering a complete line of products, Advantech had become a comprehensive PC system component supplier for industrial automation applications, gradually gaining international recognition.
1992	Introduced the Industrial Workstation series for industrial monitoring workstations. Successfully developed the ADAM-4000 series of remote data acquisition modules, which became a breakthrough product for distal measurement signal processing and communication.
1993	Received with the 2nd National Award for Small & Medium Enterprises (National Association of Small & Medium Enterprises. Received ISO-9001 Quality Management System Certification. Developed the AWS-850/860-II IPC Workstation.
1994	Increased the authorized and paid-in capital to NT$120,000,000. Founded Advantech Germany with 100% equity acquired. Developed overseas sales offices. Cooperated with ITRI MIRL to introduce PC and industrial controllers and motion control cards. Developed the Embedded Computer Module series.
1995	Increased the authorized and paid-in capital to NT$190,000,000. Established global branch offices in Singapore (100% equity acquired) and Budapest, Hungary (30% equity acquired).
1996	Received the 4th Taiwan Industrial Technology Advancement Most Outstanding Award (MOEA, Taiwan, R.O.C.). Established a quality assurance laboratory to significantly improve product quality. Symbol of Taiwan Excellence Winner (MOEA, Taiwan, R.O.C.) for the ADAM-4000 series.
1997	Approved for public offering. Increased the authorized capital to NT$1,000,000,000 and paid-in capital to

NT$475,000,000.
Established an audit office as well as internal control and audit systems.
Established subsidiaries in Japan, the UK, and France with 100% equity acquired.
Merged the U.S. subsidiary with 72.03% equity acquired.
Received the 5th Taiwan Industrial Technology Advancement Most Outstanding Award (MOEA, Taiwan, R.O.C.).
Symbol of Taiwan Excellence Winner for the PPC-102 series.

1998 Increased the paid-in capital to NT$807,500,000.
Established subsidiaries in the Netherlands, Germany, and the Virgin Islands with 100% equity acquired.
Established a joint venture in Italy with 25% equity acquired.
Equity of the U.S. subsidiary increased from 72.03% to 100%.
Purchased land (834 ping; equiv. 2,757.5 m2) in Neihu.
6th Symbol of Taiwan Excellence Gold Award Winner for the PPC-102T Panel Computer.
7th Symbol of Taiwan Excellence Winner for the PPC-140T multi-function panel PC and ADAM-5000 series of distributed DA&C systems.
Received the Singapore Comdex Asia Best Hardware System Award for the PPC-140T multi-function panel PC.
Received ISO-14001 Environmental Management System Certification.
Awarded with the Most Representative Outstanding Company (Industrial Development Bureau, MOEA, Taiwan, R.O.C.).

1999 ADAM series received the 1st Taiwan Outstanding Safety Instrument Award.
Began constructing the Advantech Neihu Technology Building with completion forecast for mid-2001.
Paid-in capital increased to NT$1,307,000,000.
Purchased land (2,147 ping; equiv. 7,097.5 m2) in Donghu and occupied the premises by the end of September.
Completed IPO on the Taiwan Stock Exchange on December 13.

2000 Increased the paid-in capital to NT$1,745,000,000.
Purchased additional land (1,445 ping; 4,776.9 m2) at the Donghu Plant.
Merged with PCS for US$1.77 million.
Established several investment companies: Advantech Investment, Advantech (Guangzhou Bond Zone) Co., ABR, AAC (BVI), AACB, APN, and AKL. Received the 2000 Outstanding Export & Import Performance Award (General Chamber of Commerce, Taiwan, R.O.C.).

2001 Increased the paid-in capital to NT$2,334,294,000.
Moved into Advantech Headquarters in Neihu District, Taipei, in July 2001.
Established AHK and AKMC and invested in AAU.
Symbol of Taiwan Excellence Winner for the WEB-2143 Web Controller, EH-760 Home Terminal, ES-510 Multimedia Web Payphone, and PPC-153T Panel Computer.

2002 Increased the paid-in capital to NT$2,855,291,000.
Established AASC and invested in ABB and Axiomtek Co., Ltd. Received “2002 Headquarters Operation Certification” (Industrial Development Bureau, MOEA, Taiwan, R.O.C.).
Implemented the Innovation Center Operations Plan Embedded Systems R&D Center with approval from the Department of Industrial Technology (MOEA, Taiwan, R.O.C.).
Accepted as the sole Gold-Level Partner in Microsoft’s Windows Embedded Partner ODM Category.
Symbol of Taiwan Excellence Winner for the EH-7102G/GH Home Appliance and WebLink2059-BAR/CE/SDA/SKT Web-Enabled Device Connection via PC Card.

2003 Increased the paid-in capital to NT$3,413,039,000.
Established AEU and invested in Advantech Consulting Co., Ltd.
Received “2003 Headquarters Operation Certification” from the Industrial Development

	Bureau (MOEA). Symbol of Taiwan Excellence Winner for the ADAM-6000 series of intelligent data acquisition network control modules.
2004	Increased the paid-in capital to NT$3,742,962,000. Won first prize in the 2004 Control Design (USA) Reader's Choice Award for single-board computers. Received first prize for the 2004 Editor's Choice Award under the human–machine interface (HMI) category from the magazine Control Engineering (USA) for the FPM-3170 17" Flat Panel Monitor.
2005	Increased the paid-in capital to NT$4,489,003,000. Formed a strategic alliance with AsusTek; Advantech acquired 1.36% equity of AsusTek and AsusTek acquired 15% equity of Advantech through stock swap. Symbol of Taiwan Excellence Winner for the TPC-60S, UNO-3062, and AWS-8100G. Received third prize in the 2005 Readers' Choice Award for Industrial Computers from Control Buyer's Guide (USA). Embedded Control Europe magazine readers nominated the TREK-755 Sunlight Readable Model for the Gold Award of the 13th MOEA Industrial Technology Advancement Award of Excellence.
2006	Increased the paid-in capital to NT$4,636,295,000. Received the Readers' Choice Award for single-board computers from Control Design. Received the 2nd Corporate Social Responsibility Award from the magazine Global Views (Taiwan, R.O.C.). Received The Most Growth in Asia Award from Microsoft. Received the Intel Associate Partner of the Year and Multi-Core Solution Contest Award.
2007	Increased the paid-in capital to NT$4,915,770,000. Received the 3rd Corporate Social Responsibility Award, Top Honor for 2006 from Global Views (Taiwan, R.O.C.). Received the 1st Corporate Social Responsibility Award from CommonWealth Magazine (Taiwan, R.O.C.) Received the Computex Taipei Best Choice Award for the ARK-3381. 15th Symbol of Taiwan Excellence Winner for the UibQ-230, ARK-4170, and ADAM-5550.
2008	Increased the paid-in capital to NT$5,113,458,000. Received 4th prize in the 2nd Corporate Social Responsibility Award from CommonWealth Magazine. 16th Symbol of Taiwan Excellence Winner for the UbiQ350, VITA350, UNO-2182, TPC-30T, TPC-32T, IPPC-7157A, and IPPC-7158B.
2009	Established Shanghai Advantech Intelligent Services Co., Ltd. (AiSC). Established Xi'An Advantech Software Co., Ltd. Acquired Advantech Yang-Kwong Building as an office building in Neihu District, Taipei City. Increased the paid-in capital to NT$5,161,337,000. Received the Decade Industrial Contribution and Decade Leading Industry awards from Chinagkong. 18th Symbol of Taiwan Excellence Winner for the IPPC-8151S series, APAX-5000 series, UNO-1100 series, UTC-W101E, NCP-7560, and MIC-5322. Advantech and the U.S. subsidiary jointly acquired 60% equity of Advantech Brazil S/A (ABR).
2010	Advantech Co., Ltd. established Advantech Intelligent Co., Ltd. Decreased the paid-in capital to NT$5,016,337,000. Received the Taiwan Top 12 Global Brands Award. Advantech paid EUR12.85 million to acquire 100% equity of DLoG GmbH Company of Augusta Technologies AG. Advantech paid 2,668 million to acquire 100% equity of Advantech KR Co., Ltd. of SG

	Advantech Co., Ltd. Advantech paid £3.34 million to acquire 100% equity of Innocore Gaming Ltd.
2011	Increased the paid-in capital to NT$5,517,971,000. Advantech paid NT$93 million to acquire 99.36% equity of ACA. 19th Symbol of Taiwan Excellence Winner for the ARK-VH200, FWA-6500, NCP-5260, PC/104, PCM 9562, PIT-1501W, SOM-5788, Advantech Touch Panel Computer, and TREK-550. Received the Taiwan Top 10 Global Brands Award.
2012	Increased the paid-in capital to NT$5,639,971,000. Advantech paid NT$306 million to acquire 50% equity of Advansus Corp. 20th Symbol of Taiwan Excellence Winner for the TREK-753, FPM-8151H, ADAM-6117, ADAM-6118, ADAM-6150, ADAM-6151, ADAM-6156, ADAM-6160, SOM-7562, MIO-5270, MIO-2260, PCM-3363, AIMB-213, UNO-4600 series, ITM-5115R-PA1E, ARK-DS220, ARK-DS520, and IPC-6025. Ranked 11th for the Taiwan 2012 Top-20 Global Brand Award with a brand value of US$260 million. Established a subsidiary in India (AIN).
2013	Increased the paid-in capital to NT$5,652,059,000. Ranked 11th in the 2012 Corporate Citizen Award from CommonWealth Magazine. Advantech Industrial Automation Group HMI TPC and SPC series won the 2013 iF Product Design Award in Germany. 21st Symbol of Taiwan Excellence Winner for the FWA-6510, MIC-5332, ATCA-7310, MIO-5250, MIO-2261, PCM-9389, ARK-1120, ARK-DS262, ARK-DS762, UBC-D31, IDS-3115, IDK-2131, TREK-722, TPC-671/1071/1271/1571, WebOP, BEMG-4110/4220, ADAM-2000, and EKI-6340. Paid NT$319 million to acquire 70.2% equity of POS manufacturer AdvanPOS. Paid NT$730 million to acquire 100% equity of the controller manufacturer LNC. Paid £5.85 million to acquire 100% equity of the wisdom embedded displays manufacturer GPEG (UK).
2014	Increased the paid-in capital to NT$5,714,511,000. Established Advantech Plus Technology Center (A+TC), Kunshan, China. Grand opening of the Advantech Linkou IoT Campus. Received the CSR Best Workplace Excellence Award from Global Views Monthly in 2014. 22nd Symbol of Taiwan Excellence Winner for the CGS-6000, ATCA-9112, Advantech WebAccess, APAX-5620, IDK-2110, TPC-1840WP, TPC-2140WP, SPC-1840WP, FPM-7181W, FPM-7211W, ADAM-6200 series, EKI-3000 series, SOM-5894, ARK-1122F, UBC-200, SOM-7567, SOM-3565, MIC-5333, AMiS-50, POC-W181, and IPS-M420. Formally established the Advantech Investment Department to actively deploy solutions for smart city and IoT markets. Composed Advantech Global smart city case studies for the publication of “Smart City” in Simplified and Traditional Chinese as well as English.
2015	Increased the paid-in capital to NT$6,318,531,000. 23rd Symbol of Taiwan Excellence Winner for the TREK-674, TREK-306, PWS-870, UTX-3115, DPX-435 (with the DPX-S1000 chassis), SOM-5893, SOM-6896, UBC-220, PCIE-181X, Mic-3100, ARK-2151V, DS-862, MIT-M101, ATCA-9223, EKI-9778, UNO-2000 series, IDS-3121W, WebAccess 8.0, Pocket Pad, and ARK-5261. 23rd Symbol of Taiwan Excellence Award Gold and Silver Medal Nominee for the MIT-M101 and MICA-071.

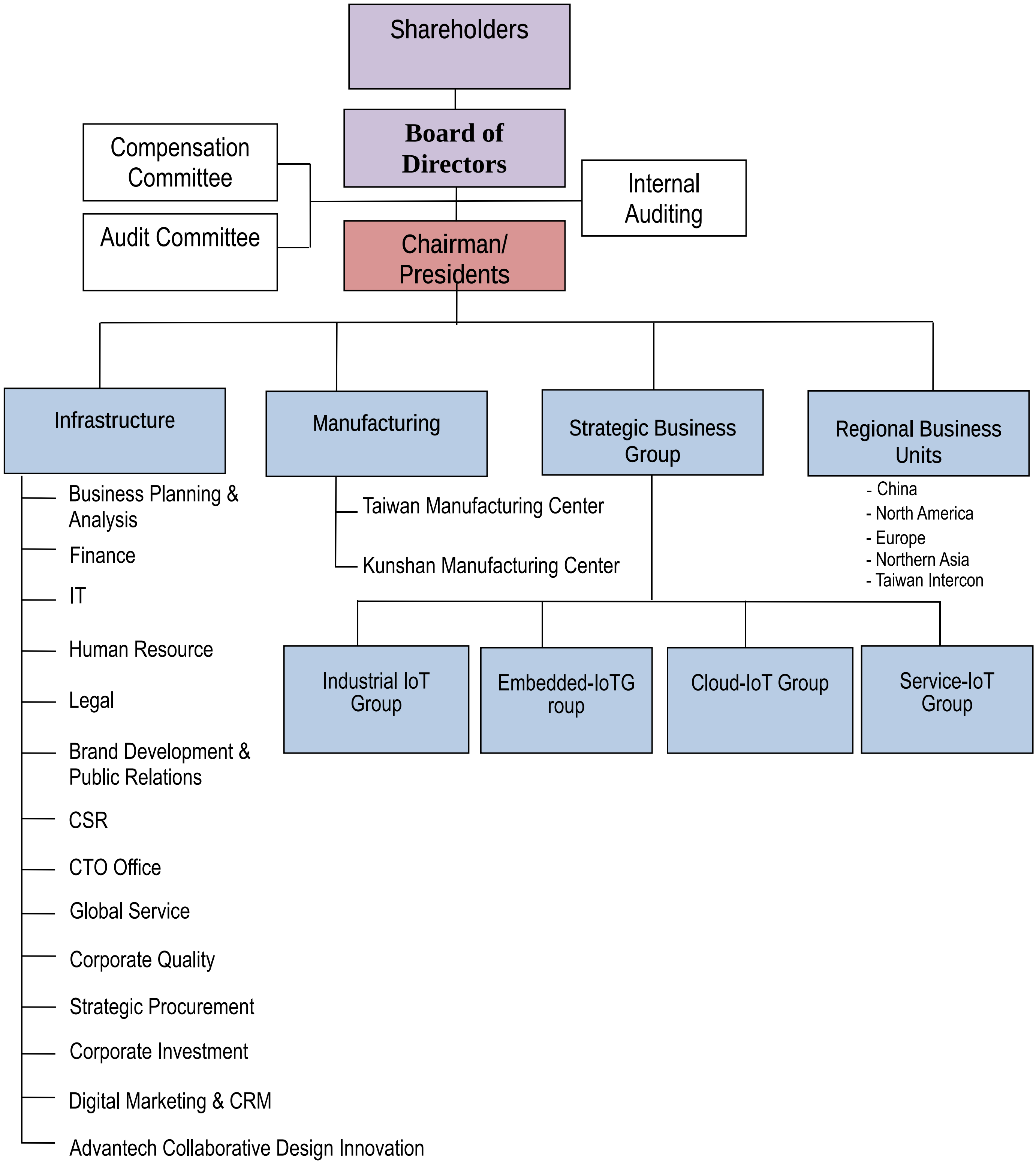
2016	Increased the paid-in capital to NT$6,326,091,000. 24th Symbol of Taiwan Excellence Winner for the ASR-3100, POC-W242, TREK-733L, TREK-973, DPX-E135, MIO-3260, EKI 5 series, SOM-7568 TPC, WISE4 series, WISE-3100, ARS-2510, UNO-3483G, TREK-773, ITA-2230, ROM-7421, IDS-3118W, AIMB-T1215, DS-270, APAX-5580, ARK-2230, UNO 1 series, and IPS-M420S; and Taiwan Excellence Award Gold and Silver Medal Nominee for the REK-773. Received the 2016 iF product design award in Germany for the PWS-870. Formed a strategic alliance with Inventec Corporation to establish the joint venture company “AIMobile Co., Ltd.” Acquired 100% stock rights of B+B SmartWorx, Inc. from Graham Partners for US$9.985 million. ATC (HK) purchased 100% stock rights of Yeh Chiang (Kunshan) Co., Ltd. from Yeh Chiang Technology (Cayman) Corp. for RMB$9.35 million.
2017	Increased the paid-in capital to NT$6,330,741,000. 25th Symbol of Taiwan Excellence Winner for the DMS-SA21, ARS-P3800, AIM-65, UNO-2271G, IPPC-5211WS, HIT-W101C, SOM-3568, ARK-2231R, ARK-2230R, ARK-1124H, ARK-1124U, ARK-1124C, ECU-4784, AIIS-1200, AIIS-5410P, MIC-7500, DS-980, EPC-T2285, MVP-3245, ADAM-3600, ADAM-3617, ADAM-3618, ADAM-3624, ADAM-3651, ADAM-3656, and EKI-7700; as well as Gold and Silver Medal Winner for WebAccess/Cloud and the WISE-DK1520 starter kit/development kit for RTX v2.0 CPU Module ROM-3420. Advantech Linkou Industrial Park Stage II construction officially completed at the end of October. Advantech announced that it will acquire a 60% stake in the South Korean medical display company Kostec. Advantch invests 12 million private placement common shares of Winmate at a price of NT$45 per share (total, NT$540 million) Advantech ranked No. 6 (with brand value USD484 million) in the Taiwan Top 20 Global Brands Award.
2018	Increased the paid-in capital to NT$6,982,275,000. Subsidiary company Advantech Corporate Investment, and the Institute for Information Industry, jointly invested in the establishment of an Industrial Internet of Things platform company called Yun Yan, Wu-Lian Co., Ltd., and each own half of the total equity. Subsidiary company Advantech Corporate Investment and the Industrial Technology Research Institute jointly funded the establishment of the joint venture Huan Yan, Jhih-Lian Co., Ltd., with both parties investing 50% of the total capital. Advantech subsidiary company ASG acquired ATH’s equity interest and jointly increased its joint venture with ATH. Consequently, the capitalization of ACL and ASG is now held at 51% and 49% respectively. Advantech opens its new European Service Center and it becomes the first Advantech Industry 4.0 real site demo in Europe. 26th Symbol of Taiwan Excellence Silver Medal Winner for the iPS-M100 Hot Swappable Medical-grade Industrial Power System and POC-WP243 24” Medical Computer 26th Symbol of Taiwan Excellence Winner for the CRV31-430WP 43”Industrial Curved Monitor, the TPC-5000 series Modular Industrial Touch Panel Computer and the SRP-ESP315 Solar Power Management Solution. There are a total of 17,500,000 privately held ordinary shares of AzureWave Technologies, Inc. The subscription price per share is $17.1 TWD and the total subscription amount is $299,250,000 TWD. In addition, a total of 12,099,000 shares were acquired on the centralized stock exchange, resulting in Advantech Investment holding 19.65% of the equity. The Company has subscribed 1,004,310 shares of common stock of Nippon RAD Inc. (a Japanese system integration corporate).

	The subsidiary Advaninvest (whose 100% of shares is held by the Company) has acquired 15% of shares (15,710,000 shares of common stock) of MILDEX via subscription by a payment of NT$ 200 million. The Vietnamese Subsidiary (AVN) and the Russian Subsidiary (ARU) are established. SIoT (Cayman) and SIoT(China) were established by the Subsidiary AAC (BVI). The Subsidiary Advaninvest acquired 25% and 49% of shares from ILINK ICT and Yung-yen Corp., respectively by investing NT$ 10.067 million and NT$ 4.9 million in cash, respectively. The second-tier subsidiary Advantech (Shanghai) acquired 45% of shares from Yen-le Corp. by investing NT$ 4.392 million in cash. Advantechheld the first Advantech IoT Co-Creation Summit at Suzhou International Expo Center today with over 6 thousand Advantech clients and partners around the world attended the Summit which Advantech had introduce itsnewest IoT platform structure WISE-PaaS 3.0 and 32 IoT solution ready packages (SRPs) that was co-created with software and industry partners. Advantech ranked No. 5 (with brand value USD500 million) in the Taiwan Top 20 Global Brands Award. Advantedh DLT-V4108 Vehicle-Mounted Terminal Wins 2018 Red Dot Product Design Award.
2019	Increased the paid-in capital to NT$6,999,230,100. Advantech complete the 80% stake acquisition of OMRON Nohgata, a subsidiary of OMRON Corporation. OMRON Nohgata will now be known as “Advantech Technologies Japan” (ATJ) . Advantech + Technology Campus (original referred to as “A+TC”), the English name is officially changed to Advantech Kunshan Technology Campus (AKTC) started from Feb 2019. Advantech subscribed shares from the Turkish Company Alitek and issued new shares, and Advantech held 60% of shares of Alitek. The 27th Symbol of Taiwan Excellence Winner for the compact fanless system MIC-7420. The 27th Symbol of Taiwan Excellence Winner for the LPWAN wireless moduel WISE-4200. The 27th Symbol of Taiwan Excellence Winner for the 16-ch DAQ platform MIC-1816. Advantech acquire 5.08 million shares of Information Technology Total Services Co Ltd (ITTS) for NT$147.44 million through a private placement which t deal would give Advantech a 20 percent stake in ITTS. Advantech subsidiary (Advantech Corporate Investment) acquires common stocks of Hwacom Systems Inc. via private placement of securities. Advantech establishs a office in Israel. Advantech ranks 5th among Taiwan's global brands in 2019 with a brand value of US$556 million. Advantech subsidiary (Advantech Corporate Investment) invests private equity fund China Broadband Capital Partners IV, L.P. The 28th Symbol of Taiwan Excellence Winner for the 43 inch UHD J type curved LCD with a curvature of 1500R (CRV-430JP)
2020	The 28th Symbol of Taiwan Excellence Winner for the wearable barcode ring (LEO-WB21) The 28th Symbol of Taiwan Excellence Winner for the industrial IoT controller (AMAX-5000) The 28th Symbol of Taiwan Excellence Winner for the 8Kp60 HEVC broadcast video encoder (VEGA-6304)

III. Corporate Government Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Function

Main Department	Main Responsibilities
Internal Auditing	Review the adequacy and consistency of internal control processes to ensure the effectiveness of internal control. Perform audit according to the annual plan approved by board meeting. On a request basis, conduct project-based audit to provide management with operational status of internal control processes to enhance corporate governance as well as to establish corporate risk assessment and control mechanism.
Legal	1. Review contracts and agreements 2. Handle company's lawsuits and disputes 3. Provide internal legal trainings and legal opinions 4. Handle company's Intellectual Property Right issue.
Business Planning & Analysis	Design and Develop corporate annual business plan, corporate strategies and performance indicators as well as supervising them. Assist management team to formulate annual plans and the implementation and execution of follow-up projects.
Finance	1. Responsible for budgeting, accounting, financial report, variance analysis; planning, management and control of tax administration, finance, and stock affairs. 2. Domestic and oversea financial statement preparation and analysis. 3. Operating performance of oversea investment 4. Cash flow management
IT	1. Information technology execution and management. 2. Crucial technology implementation and professional technical services.
Human Resource	1. Develop and execute human resource strategies that closely align with company and businesses' vision and direction.. 2. Promote employee services & relations platform to enhance employees' satisfaction and employer brand. 3. Develop human resource policies, systems, structures and standards, and implement talent development plan.. 4. Develop core competencies to enhance organization capability.
Brand Development & Public Relations	1. Global branding promotion and company identity system. 2. Global branding marketing campaigns coordination and related marketing collaterals production. 3. Company's public relations.
CSR	Focus on "Enterprise-academic Collaboration", "Social Innovation Sponsoring" and "Employee Services & Engagement" to contribute to the society.
CTO Office	Manage IoT.SENSE (IoT Solution Enabling Services) to develop and promote WISE-PaaS (Industrial PaaS Cloud Platform) and AIoT Solutions, including Software Enabling, Consulting Services, Solution Co-creation and Knowledge Sharing, to facilitate industrial customers' digital transformation.
Global Service	Manage Advantech worldwide service centers to provide one-stop global services and total solutions, including design, manufacture, quality management, procurement, logistics, assembly, repair and maintenance.
Corporate Quality	1. Coordinate with related department, including RD, PM, manufacturing, sales and after services, to ensure and enhance product quality, monitor and prevent major quality deviation. 2. Develop and implement company quality assurance system, to meet and satisfy the needs of customer and ISO requirements. 3. Design process control to assure design quality in product development phase. 4. Evaluate and apply product regulations. 5. Monitor and enhance product quality on factory and supply chains. 6. Plan and implement customer quality services, and establish global strategies to provide real-time services.

Strategic Procurement	1.Negotiate and purchase required components and equipment. 2.Develop new vendors of components and equipment in response to rapid changing technology evolution. 3.Develop integrated purchasing strategies that support organizational strategies, goals and objectives. 4. Develop the supply chain strategy, and contact procurement for the long-term and competitive components and material supply.
Corporate Investment	Develop corporate strategic investment roadmap and corporate partnership, and professionally manage the investment or partnership development projects. Proactively and passively look for external investment, M&A, and partnership opportunities with discipline and focus, effectively execute investment strategy and evaluate the potential targets. The goal is to enhance strategic business portfolio and growth momentum.
Digital Marketing & CRM	Expending digital marketing channels and methodologies toward the target sector market communication, and leverage the big data analysis plus CRM management including sales automation, productivity enhancement, real-time support, to achieve the automatic marketing intelligence.
ACDI (Advantech Collaborative Design Innovation)	1.Collaboration of corporate design functions to achieve consistent design, style, and image for brand name. 2.Integration and optimization of both internal and external design resources.
Manufacturing	Setting production goal, capacity planning, and manage production, quality, logistics and operation related executions.
Industrial IoT Group	Industrial IoT group provides comprehensive product offering to accelerate IIoT implementation from edge to cloud. It includes IoT sensing devices, data acquisition module, industrial communication, IoT gateway, automation PC controller, industrial PC/server, edge AI solution as well as application focus edge computers in transportation, power & energy, machine vision.
Embedded-IoT Group	As a global leader of the embedded computing market, Advantech Embedded-IoT Group not only offers a wide range of embedded boards, Intelligent systems, industrial peripherals and design-in services, but also provides streamline services form R&D, manufacturing, to global support and services. Furthermore, devoted regionally-based embedded service teams in Taiwan, Japan, China, USA, Germany, UK to offer medical, gaming, transportation, manufacturing, self-service solutions and dedicated DMS (Design and Manufacture Services) that enable domain sector deployment. To address the market for IoT applications, Embedded-IoT Group developed a series of integrated IoT solutions and services from edge computing to cloud services, including Advantech Industrial Wireless (AIW) solutions, IoT Gateways, Edge Intelligence Servers(EIS), WISE-PaaS/DeviceOn IoT Devices Operation Management Industrial App, WISE-PaaS software platform, and Microsoft Azure cloud services. In addition, Advantech also offers integrated solutions for edge AI applications ranging from AI acceleration modules, inference systems, to domain focused solution packages to accelerate the IoT solution business development and implementation in regions.
Cloud-IoT Group	Cloud-IoT Group offers edge cloud solution, networking solution and video Solution. Providing core networking and communication technologies to building cloud infrastructure and simplifying the complexity among IT/ OT/CT for system integrators and enterprise customers.
Service-IoT Group	Provide product development, production, marketing and sales of vertical IoT solutions with diversified IT devices in mobile and stationary platforms that includes integrated edge and cloud solutions in multiple vertical service domains,such as Healthcare, Retail, F&B, Logistics, Self-Service and Smart City.

3.2 Directors and Management Team

3.2.1 Directors

March 30, 2020

Title	Nationality	Name	Date elected	Term (Years)	First elected	Shareholding when elected		Current shareholding		Spouse and Minor shareholdings		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Notes
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	K.C. Liu	05.26.2017	3years	11.11.1985	23,292,484	3.68	25,620,886	3.66	1,379,794	0.2	0	0	Founder of Advantech: Former salesman of Instruments Dept. of Hewlett-Packard; Department of Telecommunications Engineering, National Chiao Tung University	Note 1	None	None	None	None
Director	ROC	Advantech Foundation.	05.26.2017	3years	05.26.2017	18,244,889	2.88	20,288,715	2.89	0	0	0	0	President of Le Wel Co.,Ltd.	None 2	None	None	None	None
		Representative Chaney Ho				61,011	0	69,109	0.01	140,587	0.02	0	0	Tatung Institute of Technology,Taiwan					
Director	ROC	AIDC Investment Coorp.	05.26.2017	3years	05.26.2017	74,636,266	11.79	82,097,182	11.71					President of Greater China of 3M Bachelor Chemical Engineering, Chinese Culture University	Note 3	None	None	None	None
		Representative Donald Chang																	
Director	ROC	Ted Hsu	05.26.2017	3years	05.25.2011	0	0	0	0	0	0	0	0	Chief Strategy Officer of ASUSTeK EMBA，National Chiao Tung University	Note 4	None	None	None	None
Independent Director	ROC	Jeff Chen	05.26.2017	3years	06.18.2014	0	0	0	0	0	0	0	0	VP of Stanley Black & Decker and President of Asia Region EMBA,Northwestern University	None	None	None	None	None
Independent Director	ROC	Joseph Yu	05.26.2017	3years	05.25.2011	249	0	273	0	1,099	0	0	0	PhD of Business Administration, University of Michigan Professor, Department of Business Administration, National Chengchi University	Note 5	None	None	None	None
Independent Director	ROC	Benson Liu	05.26.2017	3yearss	05.26.2017	0	0	0	0	0	0	0	0	Chairman and President of Bristol-Myers Squibb (Taiwan) Ltd. Master, International Business Administration, University of Northrop, USA	Note 6	None	None	None	None

Note 1: Simultaneously act as the chairman of the following companies:

Advantech Foundation、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)、Advantech Investment Fund-A Co., Ltd. Representative、Advanixs Corporation.Representative.、Advantech Technology (China) Company Ltd. (AKMC)、Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)、Xi'an Advantech Software Ltd. (AXA)、Advantech Intelligent City Services Co.,Ltd.Representative、K&M Imvestment Co.,Ltd.、AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative、Aimobile Co., Ltd. Representative、YUN YAN,WU-LIAN Co., Ltd.、Advantech Innovative Design Co., Ltd. Representative.、ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SIoT(China))、Advantech Japan Co., Ltd. (AJP).

Simultaneously act as the director of the following companies:

AIDC Investment Corp.、Spring Foundation of NCTU、LNC Technology Co., Ltd. (LNC) Representative、LNC DONG GUAN CO., LTD.、Advantech Europe B.V.(AEU)、Advantech Service-IoT GmbH. (A-SIoT)、Advantech Technology Co., Ltd. (ATC)、HK Advantech Technology Co., Ltd. (ATC (HK))、Advantech Automation Corp.(BVI) (AAC(BVI))、Advantech Automation Corp.(HK) Limited.(AAC (HK))、Advantech Corp.(ANA)、Advantech Europe Holding B.V.(AEUH)、 Advantech KR Co.,Ltd. (AKR)。

Simultaneously act as the supervisor of the following companies:

Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd(ACN)、Advantech Japan Co.,Ltd.(AJP)、Board Director of Unabiz Pte Ltd.

Note 3: Simultaneously act as the independent director of the following companies: Chung Hwapulp Corp.

Note 4: Simultaneously act as the chairman of the following companies:

Eeizprise Inc.

Simultaneously act as the director of the following companies:

ASUSTeK、Asmedia Technology Inc.、Eusol Biotech Co.,Ltd.、i-motion Inc.

Note 5: Simultaneously act as the independent director of the following companies:

Yuanta Futures Co,Ltd.

Note 6: Simultaneously act as the independent director of the following companies:

Global Unichip Corp.、Vanguard International Semiconductor Co.

Simultaneously act as the director of the following companies:

Maywufa Company Ltd.Vice Chairman.

Major shareholders of the institutional shareholders

March 30, 2020 (stop transfer date)

Name of Institutional shareholders	Major shareholders
AIDC Investment Corp.	K.C. Liu Mary Chang Advantech Foundation

Information regarding directors

Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence criteria (Note)												Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan
	An Instructor or Higher Position in a Department of Commerce, Law,Finance,Accounting,or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College,College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce,Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
K.C. Liu			✓				✓			✓		✓	✓	✓	✓	0
Chaney Ho			✓			✓	✓	✓		✓		✓	✓	✓		0
Donald Chang			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		1
Ted Hsu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jeff Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Joseph Yu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Benson Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: If the director meets any of the following criteria in the two years before being elected or during the term of office, please check "V" the corresponding boxes.

a. Not an employee of the Company or any of its affiliates.

b. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

c. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

d. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).

e. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

f. Not a director,or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

g. Not a director, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

h. Not a director, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

i. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

j. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;

k. Not having any of the situations set forth in Article 30 of the Company Act of the ROC.

l. Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

3.2.2 Management Team

March 30, 2020

Title	Nationality	Name	Date elected	Shareholding		Spouse and Minor Shareholdinng		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Spouse or relatives within two degrees who are managers			Notes
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	ROC	K.C. Liu	06.01.2003	25,620,886	3.66	1,379,794	0.20	0	0	Founder of Advantech Co., Ltd. Salesman of Instruments Dept. of Hewlett-Packard Department of Telecommunications Engineering, National Chiao Tung University	Note1	None	None	None	None
Executive Board Director	ROC	Chaney Ho	05.01.2004	69,109	0.01	140,587	0.02	0	0	President of Li-Wei Company Tatung Institute of Technology	Note2	None	None	None	None
President	ROC	Eric Chen	09.01.2017	264,215	0.04	0	0	0	0	Elitegroup Computer Systems Co., Ltd. Tai Sen Enterprise Co., Ltd. Department of Computer Science, Tamkang University	None3	None	None	None	None
President	ROC	Miller Chang	09.01.2017	90,885	0.01	0	0	0	0	Phoenix Technologies Ltd. EMBA,National Taiwan University of Science and Technology	None4	None	None	None	None
Vice President	ROC	Linda Tsai	09.01.2017	240,606	0.03	0	0	0	0	QUANTA COMPUTER INC. Syracuse University Master of Information Resources	None5	None	None	None	None
Vice President	ROC	Deyu Yin	09.30.2004	0	0	340,199	0.05	0	0	Director of Human Resources, Delta Group Bachelor of Economics, National Taiwan University Tulane University EMBA	Note6	None	None	None	None
Accounting Officer	ROC	Rorie Kang	04.13.2011	3,749	0	0	0	0	0	Affiliates of Advantech Group Senior Accountant Department of Accounting, Chung Hsing University	None	None	None	None	None

Note 1: Simultaneously act as the chairman of the following companies:

Advantech Foundation、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)、Advantech Investment Fund-A Co., Ltd. Representative、Advanixs Corporation.Representative. 、Advantech Technology (China) Company Ltd. (AKMC) 、Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) 、Xi'an Advantech Software Ltd. (AXA) 、Advantech Intelligent City Services Co.,Ltd. Representative 、K&M Imvestment Co.,Ltd. 、AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative 、Aimobile Co., Ltd. Representative 、YUN YAN,WU-LIAN Co., Ltd. 、Advantech Innovative Design Co., Ltd. Representative. 、ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SIoT(China)) 、Advantech Japan Co., Ltd. (AJP).

Simultaneously act as the director of the following companies:

AIDC Investment Corp.、Spring Foundation of NCTU、LNC Technology Co., Ltd. (LNC) Representative、LNC DONG GUAN CO., LTD.、Advantech Europe B.V.(AEU) 、Advantech Service-IoT GmbH. (A-SIoT)、Advantech Technology Co., Ltd. (ATC)、HK Advantech Technology Co., Ltd. (ATC (HK))、Advantech Automation Corp.(BVI) (AAC(BVI)) 、Advantech Automation Corp.(HK) Limited.(AAC (HK)) 、Advantech Corp.(ANA) 、Advantech Europe Holding B.V.(AEUH) 、Advantech KR Co.,Ltd (AKR). 。

Simultaneously act as the supervisor of the following companies:

Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd(ACN) 、Advantech Japan Co.,Ltd.(AJP) 、Board Director of Unabiz Pte Ltd. 。

Note 3: Simultaneously act as the director of the following companies:

Advantech Investment Fund-A Co., Ltd.、Advanixs Corporation.、Advantech Innovative Design Co., Ltd.、AdvanPOS Technology Co., Ltd. (AdvanPOS)、Advantech Intelligent City Service、ACI IOT Investment Fund-I Corporation.、Advantech Japan Co.,Ltd.(AJP)、Advantech Turkey Technology A.S. (ATR).、Advantech Vietnam Technology Company Limited(AVN)

Simultaneously act as the supervisor of the following companies:

Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) 、Advantech Technology (China) Company Ltd. (AKMC) 、Advantech KR Co., Ltd.(AKR).

Note 4: Simultaneously act as the director of the following companies:

Advanixs Corporation. 、Advantech Technologies Japan Corporation .(ATJ)

Note 5: Simultaneously act as the director of the following companies:

Advantech KR Co., Ltd.(AKR) 、Advantech Czech s.r.o. (ACZ)

Note 6: Simultaneously act as the director of the following companies:

Advantech Innovative Design Co., Ltd.

3.2.3 Remuneration of Directors, Presidents, and Vice Presidents

Remuneration of Directors

Unit: NT$ Thousand

Title	Name	Rremuneration								Ratio of Total Remuneration(A+B+C+D) to net income % (Note 10)		Relevant Remuneration Received by Directors who are Also Employees										Ratio of Total Compensation (A+B+C+D+E+F+G)to net income % (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's subsidiary (Note11)
		Basc Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)(Note 4)				Salary, bonuses and allowance (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
																Advantech		From All Consolidated Entities (Note 7)				
		Advantech	From All Consolidated Entities (Note 7*)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Cash	Stock	Cash	Stock	Advantech	From All Consolidated Entities (Note 7)	
Chairman	K.C.Liu																					
Director	Advantech Foundation																					
	Representati Chaney Ho																					
Director	AIDC Investment Corp.																					
	Representati Donald Chang	0	0	0	0	12,000	12,000	0	0	0.16%	0.16%	5,100	5,100	0	0	1,015	0	1,015	0	0.25%	0.25%	0
Director	Ted Hsu																					
Independen Director	Jeff Chen																					
Independen Director	Joseph Yu																					
Independen Director	Benson Liu																					

*1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:
For the remuneration of independent directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 13-5 of the Company's Articles of Incorporation.

2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

Range of Remuneration

Range of Remuneration	Names of Directors			
	First four categories of remuneration (A+B+C+D)		First seven categories of remuneration (A+B+C+D+E+F+G)	
	Advantech (Note 9)	Consolidated subsidiaries (Note 10)	Advantech (Note 9)	Consolidated subsidiaries (Note 10)
Less than NT$1,000,000	-	-	-	-
NT$1,000,000 – NT$2,000,000	K.C. Liu、Advantech Foundation, Ted Hsu, AIDC Investment Corp.,Jeff Chen, Joseph Yu ,Benson Liu.	K.C. Liu、Advantech Foundation, Ted Hsu, AIDC Investment Corp., Jeff Chen, Joseph Yu,Benson Liu.	Advantech Foundation,Ted Hsu,Jeff Chen, AIDC Investment Corp.,Joseph Yu, Benson Liu.	Advantech Foundation, Ted Hsu, Jeff Chen, AIDC Investment Corp., Joseph Yu, Benson Liu.
NT$2,000,000 – NT$3,500,000	-	-	-	-
NT$3,500,000 – NT$5,000,000	-	-	K.C. Liu	K.C. Liu
NT$5,000,000 – NT$10,000,000	-	-	-	-
NT$10,000,000 – NT$15,000,000	-	-	-	-
NT$15,000,000 – NT$30,000,000	-	-	-	-
NT$30,000,000 – NT$50,000,000	-	-	-	-
NT$50,000,000 – NT$100,000,000				
Over NT$100,000,000	-	-	-	-
Total	7	7	7	7

Note 1: Illustrate the name of each director (the institutional shareholder and its representative should be illustrated separately) and disclose the payment amount in a lump sum. Please fill out this form and form (3-1) or (3-2) for the director who is also the President or Vice President of the Company.

Note 2: Refers to the remuneration (including director salary, duty allowances, severance pay, various bonuses, incentives, etc.) paid to the directors in the most recent year.

Note 3: Refers to the remuneration to directors from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting.

Note 4: Refers to the relevant business expenses of the directors in the most recent year (including traveling expenses, special expenses, allowances, dormitories, and transportation vehicles). For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note 5: Refers to the salary, job allowance, severance pay, resignation compensation, prize money, incentive payments, traveling expenses, special expenses, allowances, dormitories, and transportation vehicles paid to the directors who are also employees (including concurrent President, Vice President, other managers, and employees) in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note 6: Refers to the employee bonuses (including stock dividend and cash dividend) paid to the directors who are also employees (including concurrent President, Vice President, other managers, and employees) in the most recent year. The employee bonus amount from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting should be disclosed. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally with Table 1-3 filled out.

Note 7: Refers to the number of shares (excluding the portion executed) to be subscribed by the directors who are also employees (including concurrent President, Vice President, other managers, and employees) with stock options in the most recent year and up to the publication of the annual report. In addition to this form, please fill out Table 15.

Note 8: The remuneration amount paid to the board directors of Advantech by the companies (including Advantech) in the consolidated report should be disclosed.

Note 9: Disclose the name of the directors in the respective range of remuneration paid by the Company.

Note 10: Disclose the name of the directors in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.

Note 11: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

a.The remuneration amount received by the board directors from the invested companies other than the subsidiaries should be disclosed in this column.

b.The remuneration amount, if any, received by the board directors from the invested companies other than the subsidiaries should be disclosed in column J of the Range of Remuneration; also, the column should be renamed as “All transfer-investment businesses.”

c.Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the board directors of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.

＊The remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Remuneration paid to the presidents and vice presidents

Unit: NT$ Thousand / Thousand units

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowance etc. (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (Note 8)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's subsidiary (Note10)
		Advantec	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech		From All Consolidated Entities (Note5)		Advantech	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	K.C. Liu	19,292	19,292	0	0	44,753	44,753	5,957	0	5,957	0	0.95%	0.95%	0
Executive Board Director	Chaney Ho													
President	Eric Chen													
President	Miller Chang													
President	Linda Tsai													
Vice President	Deyu Yin													

Range of Remuneration

Range of Rremuneration	Name of the President and Vice President	
	Advantech (Note 6)	Consolidated subsidiaries (Note 7) E
Less than NT$1,000,000	-	-
NT$1,000,000 – NT$2,000,000	-	-
NT$2,000,000 – NT$3,500,000	Chaney Ho	Chaney Ho
NT$3,500,000 – NT$5,000,000	-	-
NT$5,000,000 – NT$10,000,000	K .C. Liu, Deyu Yin, Eric Chen, Miller Chang, Linda Tsai	K.C. Liu, Deyu Yin, Eric Chen Miller Chang, Linda Tsai
NT$10,000,001 – NT$15,000,000	-	-
NT$15,000,001 – NT$30,000,000	-	-
NT$30,000,001 – NT$50,000,000	-	-
NT$50,000,001 – NT$100,000,000		
Over NT$100,000,000	-	-
Total	6	6

Note 1: Illustrate the name of the President and Vice President and disclose the payment amount itemized. Please fill out this form and form (1-1) or (1-2) for the director who is also the President or Vice President of the Company.

Note 2: Refers to the salary, duty allowances, and severance paid to the President and Vice President in the most recent year.

Note 3: Refers to the reward, incentives, traveling expenses, special expenses, allowances, dormitories, transportation vehicles, and other compensations paid to the President and Vice President in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but theamount will not be included in the total remuneration amount.

Note 4: Refers to the employee bonus (including stock dividend and cash dividend) to the President and Vice President from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally with Table 1-3 filled out.
Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in theproprietary or individual financial report of the most recent year.

Note 5: Refers to the number of shares (excluding the portion executed) to be subscribed by the President and Vice President with stock options in the most recent year and up to the publication of the annual report. In addition to this form, please fill out Table 15.

Note 6: Disclose the itemized amount paid to the President and Vice President by all the companies (including the Company) in the consolidated financial statements.

Note 7: Disclose the name of the President and Vice President in the respective range of remuneration paid by the Company.

Note 8: Disclose the name of the President and Vice President in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.

Note 9: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

Note 10: a.The remuneration amount received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in this column.
b.The remuneration amount, if any, received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in column E of the Range of Remuneration and the column should be renamed as "All transfer-investment businesses."
c. Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the President and Vice President of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.
*he remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Employee Compensation amount paid to managers

March 30, 2020

<table>
<tr><th></th><th>Title (Note 1)</th><th>Name (Note 1)</th><th>Stock bonus amount (proposed)</th><th>Cash bonus amount (proposed)</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="7">Manager</td><td>Chairman</td><td>K.C. Liu</td><td rowspan="7">0</td><td rowspan="7">5,957</td><td rowspan="7">5,957</td><td rowspan="7">0.08%</td></tr>
<tr><td>Executive Board Director</td><td>Chaney Ho</td></tr>
<tr><td>Presiden</td><td>Eric Chen</td></tr>
<tr><td>President</td><td>Miller Chang</td></tr>
<tr><td>President</td><td>Linda Tsai</td></tr>
<tr><td>Vice President</td><td>Deyu Yin</td></tr>
<tr><td>Accounting Officer</td><td>Rorie Kang</td></tr>
</table>

Note 1: Illustrate the name and job title of each manager and disclose the distribution of earnings in a lump sum.

Note 2: It refers to the employee Compensation (including stock dividend and cash dividend) to the managers from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally. Net income meant for the net profit after tax in the most recent year.

Note 3: Scope of applicability to managers, according to the Tai.Chai.Chen III Tzi No. 0920001301 Letter dated March 27, 2003 by the Commission, is as follows:

(1)President and the equals
(2)Vice President and the equals
(3)Junior VP and the equals
(4)Finance Officer
(5)Accounting Officer
(6)Other authorized personnel for management and signature

Note 4: For the directors, President, and Vice President who have collected employee Compensation (including stock dividend and cash dividend), in addition to Table 1-2 enclosed, please fill out this form.

3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Job Title	Ratio of 2019 total remuneration to net income (%)		Ratio of 2018 total remuneration to net income (%)	
Directors, supervisor, President, and Vice President	Advantech	All consolidated subsidiaries	Advantech	All consolidated subsidiaries
	1.12%	1.12%	1.32%	1.32%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

According to the provision of Article 20 of the Company's Articles of Incorporation, remuneration of directors shall not exceed 1% of the Company's profit in the year; in addition, remuneration of directors shall be distributed reasonably in consideration of the Company's operating results and directors' contribution to the Company's operating results. Remuneration of the President shall be distributed according to the Company's Regulations Governing Remuneration of Managerial Officers, the average salary of the same position in the industry, and the President's contribution to the Company's operational objectives within the scope of the President's responsibility. Remuneration shall be set according to the Company's Regulations Governing Performance Evaluation of the Board of Directors and the Regulations Governing Remuneration of Directors. Reasonable remuneration shall be distributed in consideration of the Company's operating results, risks and development trends in the industry, and personal performance and its contribution to the Company's operating results. Evaluation of performance and reasonableness of remuneration shall be reviewed by the Remuneration Committee and the Board of Directors, and may be adjusted in a timely manner according to the operations and related laws and regulations, so as to achieve the Company's sustainable development and risk management.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Aattendance Rate (%) (B/A)	Remarks
Chairman	K.C. Liu	5	0	100%	
Director	Advantech Foundation: Representative: Chaney Ho	5	0	100%	
Director	Ted Hsu	4	1	80%	
Director	AIDC Investment Corp. Representative:Donald Chang	5	0	100%	
Independent Director	Joseph Yu	5	0	100%	
Independent Director	Jeff Chen	5	0	100%	
Independent Director	Benson Liu	5	0	100%	

Other mentionable items:

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

BOD	Subjects	Securities and Exchange Act,rticle 14-3	Opinions of independent directors	Company's treatment of the pinions	Resolution results
The 13th meeting of the 13th session on March 08, 2019	Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Acquisition or Disposal of Assets".	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Financial Derivatives Transactions".	v	None	None	The matter is approved by all the attendees.
	Advantech subsidiary Advantech Corporate Investment, a new company will be incorporated.	v	None	None	The matter is approved by all the attendees.
	The Company's 2019 CPA fees.	v	None	None	The matter is approved by all the attendees.
The 13th meeting of the 13th session on May 03, 2019	The appointment of the internal auditing supervisor	v	None	None	The matter is approved by all the attendees.
The 14th meeting of the 13th session on July 23, 2019	Advantech Corporate Investment) acquires common stocks of Hwacom Systems Inc. via private placement of securities.	v	None	None	The matter is approved by all the attendees.

The 17th meeting of the 13th session on Nov 01, 2019	Advantech Corporate Investment Co. Ltd., a subsidiary of the Company, invests private equity fund China Broadband Capital Partners IV, L.P.	v	None	None	The matter is approved by all the attendees.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Implementation of self-evaluations by the Company's Board of Directors

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Performance evaluation for January 1, 2019 to December 31,2019	Board of Directors	Board of Directors self-evaluation	1.Participation in the operation of the company. 2.Improvement of the quality of the board of directors' decision making. 3.Composition and structure of the board of directors. 4.Election and continuing education of the directors. 5.Internal control.
Once a year	Performance evaluation for January 1, 2019 to December 31,2019	Board of Directors	The performance of the board members	1.Alignment of the goals and missions of the company. 2.Awareness of the duties of a director. 3.Participation in the operation of the company 4.Management of internal relationship and communication. 5.The director's professionalism and continuing education. 6.Internal control.
Once a year	Performance evaluation for January 1, 2019 to December 31,2019	Audit Committee	The performance of the Audit Committee	1.Participation in the operation of the company 2.Awareness of the duties of the functional committee 3.Improvement of quality of decisions made by the functional committee 4.Makeup of the functional committee and election of its members 5.Internal control
Once a year	Performance evaluation for January 1, 2019 to December 31,2019	Compensation Committe	The performance of the Compensation Committe	1.Participation in the operation of the company 2.Awareness of the duties of the functional committee 3.Improvement of quality of decisions made by the functional committee 4.Makeup of the functional committee and election of its members 5.Internal control

3. Measures taken to strengthen the functionality of the board:

The Board of Directors of the Company has established the Audit Committee (in 2017) and the Remuneration Committee (in 2011) the two functional committees were established to assist the Board of Directors in fulfilling supervisory duties. The Audit Committee consisted of Independent Directors (3 personnel) in overall, and the Remuneration Committee consisted of Independent Directors and experts of relevant fields (3 personnel in total). The charter of each committee has been approved by the Board of Directors and each committee is required to report their activities and resolutions to the Board of Directors on a regular basis.

In order to materialize corporate governance, set specific performance goal for enhancing the functions and operating efficiency of the board of directors. In line with article 37 of the "practical guidelines for corporate governance of listed companies on the centralized and OTC markets," the board of directors resolved on Mar. 06,2015 to formulate the company's "measures for evaluating the performance of the board of directors." 2015 to formulate the company's "measures for evaluating the performance of the board of directors."

Accordingly, at the end of a fiscal year, the secretariat of the board of directors would collect information on the activities of the board of directors, issue questionnaires for self evaluation to be filled by directors, and record the results for submission to the board of directors for review and improvement. In fiscal 2015 and 2016, under the arrangement of the secretariat, "self evaluation of the performance of the board of directors" was completed.

The Company's board of directors operates in accordance with the Company's ''Parliamentary Rules for Directors's Meeting and related laws. The executive financial officers and chief auditors will also attend a directors's meeting and produce relevant reports to directors for reference.Meanwhile,in order to upgrads the board members's competency,the Company will invite extermal trainers to give lessons and arrange advanced studies for the board members.

2019 attendance records

◎: In person ☆ : Delegate to attend ＊: Not present

2019	first time	second time	third time	fourth time	fifth time
Joseph Yu	◎	◎	◎	◎	◎
Jeff Chen	◎	◎	◎	◎	◎
Benson Liu	◎	◎	◎	◎	◎

3.3.2 Audit Committee :

A total of 5 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director Convener	Benson Liu	5	0	100	None
Independent director	Jeff Chen	5	0	100	None
Independent director	Joseph Yu	5	0	100	None

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred in Article 14-5 of the Securities and Exchange Act.

Audit Committee	Subjects	Resolution results
The 10th meeting of the 13th session on March 08, 2019	Approved the Company's 2018 consolidated financial statements.	The matter is approved by all Independent Directors
	Approved the Company's 2018 Statement of Internal Control System	The matter is approved by all Independent Directors
	Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.	The matter is approved by all Independent Directors
	Assessment of Independence of Certified Public Accountants	The matter is approved by all Independent Directors
	Approved CPA professional fees	The matter is approved by all Independent Directors
	Major assets transaction, derivative commodities, fund loaning, and endorsements/guarantees.	The matter is approved by all Independent Directors
	Amendment to the " Procedures for Acquisition or Disposal of Assets".	The matter is approved by all Independent Directors
	Amendment to the "Guidelines for Derivatives Trading by Public Companies".	The matter is approved by all Independent Directors
	Approved Advantech Corporate Investment, a subsidiary, to invest in the newly establishment ACI IOT Investment Fund-I Corporation with registered capital NT$ 5 billion.	The matter is approved by all Independent Directors
The 11th meeting of the 13th session on May 3, 2019	Approved the Company's 2019Q1 consolidated financial statements.	The matter is approved by all Independent Directors
	Status of activities regarding derivative commodities, capital loaning, endorsements/guarantees, and major assets transaction in 2019Q1.	The matter is approved by all Independent Directors
	Approved the Company's appointment of Chief Internal Auditor.	The matter is approved by all Independent Directors
The 12th meeting of the 13th session on July 23, 2019	Approved Advantech Corporate Investment, a subsidiary, to participate in Hwacom Systems Inc. 's private placement of common shares.	The matter is approved by all Independent Directors
The 13th meeting of the 13th session on August 02, 2019	Approved the Company's 2019Q2 consolidated financial statements.	The matter is approved by all Independent Directors
	Status of activities regarding derivative commodities, fund loaning, endorsements/guarantees, and major assets transaction in 2019Q2	The matter is approved by all Independent Directors
The 14th meeting of the 13th session on	Issues of CPA firm regular rotation.	The matter is approved by all Independent Directors

November 01, 2019	Approved the Company's 2019Q3 consolidated financial statements.	The matter is approved by all Independent Directors
	Status of activities regarding derivative commodities, fund loaning, endorsements/guarantees, and major assets transaction in the 2019Q3	The matter is approved by all Independent Directors
	Approved Advantech Corporate Investment, a subsidiary, to invest in the China Broadband Capital Partners IV, L.P. (CBC IV fund) for US$10.35 million.	The matter is approved by all Independent Directors
	Approved 2020 internal audit plan	The matter is approved by all Independent Directors

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors' avoidance of motions owing to conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Independent Directors' communication with Chief Internal Auditor and CPA, respectively (e.g. the material agenda, methods and results regarding the Company's finance or operation status, etc.)

(1) The Company's Chief Internal Auditor update audit findings to Audit Committee on regular basis and present internal audit report in quarterly meetings; in case of special circumstances, Chief Internal Auditor reports to Audit Committee immediately.

In 2019, there was no special circumstance mentioned above. The Chief Internal Auditor communicated well with Audit Committee.

(2) The Company's CPA presents audits or review results of quarterly financial statements and other statutory matters to Audit Committee in quarterly meetings; in case of special circumstances, the CPA reports to Audit Committee immediately. In 2019, there was no special circumstance mentioned above. The CPA communicated well with Audit Committee.

(3) Major Tasks and operating process of Audit Committee:

Audit Committee of the Company consisted of three Independent Directors. Audit Committee was established to assist Board of Directors for the quality and integrity when supervising and reviewing the accounting, auditing, financial reporting processes and financial controls of the Company.

Major agenda reviewed include:

- Financial statements auditing and accounting policies and procedures
- Internal control systems and related policies and procedures
- Major assets or derivatives transactions
- Major funds loaning and endorsements or guarantees
- Placement or issuance of securities
- Derivative financial commodities and cash investment
- Legal compliance
- Investigation to possible conflict of interest or relationships of transaction parties between managers and Director
- Anti-fraud scheme and fraud investigation/appeal reports
- Information security
- Corporate risk management
- Certified public accountants qualification, experience, independence and performance evaluation
- Appointment, dismissal or remuneration of certified public accountants
- Appointment and dismissal of financial, accounting or internal auditing directors
- Audit Committee performance
- Self-evaluation questionnaires of Audit Committee performance assessment

(4)The Company's 2019 annual auditing plan includes regular review of information and communication security of the Company. The Company has set up security policy, disaster recovery plan, automatic warning mechanism for emails, and firewall system, so that to protect key systems and data intact. Audit results: no major abnormalities found.

(5) Independent director discussion Items with Chief Internal Auditor and CPA:

Date (Session)	Discussion Items with Chief Internal Auditor	Discussion Items with CPA
The 10th meeting of the 13th session on March 8, 2019	• Review internal audit report • Review the Company's 2018 Statement of Internal Control System	• Discuss audit results of 2018 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Review CPA's qualification, performance, and independency
The 11th meeting of the 13th session on May 3, 2019	• Review internal audit report	• Discuss review results of Q1 2019 financial statements, including problems or challenges and management's responses (in a closed-door meeting)
The 13th meeting of the 13th session on August 2, 2019	• Review internal audit report • Review the Company's revision and the amended procedures for lending funds to other parties.	• Discuss CPA's review of Q2 2019 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Report changes in laws and regulations
The 14th meeting of the 13th session on November 1, 2019	• Review internal audit report • Review 2020 audit plan	• Discuss CPA's review result of Q3 2019 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Review key audit findings in 2019 • Report review and audit plan for 2020 financial statements
Result: The above matters have been reviewed or approved by Audit Committee without any objection raised by independent directors.		

3.3.3 The Company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
1.Does the Company base on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles?	V		The Company has based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles for guidelines on the MOPS.	None
2.The Company's equity structure and shareholders' equity (1) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly? (2) Does the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders? (3) Does the Company establish and implement the risk control and firewall mechanism with the related parties? (4) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	 V V V V		(1)The Company has a spokesperson, stock affairs supervisor, and associated person assigned to effectively handle shareholder's suggestions or disputes. Legal issues, if any, will be handled with the assistance of the legal affair personnel. (2)Regularly disclose the pledge, increase or decrease of shareholding, or the occurrence of other events that may cause significant changes in the shares of the shareholders with over 10% shareholding; also, maintain a good relationship with the major shareholder at any time for control. (3)The management responsibilities of the Company and the affiliated enterprises are clearly defined; also, business transactions are conducted in compliance with the Company's internal control system and the relevant requirements. For strengthening the control mechanism, the procedures for monitoring subsidiaries are regulated with proper risk control. (4)The ADVANTECH worked out the "Procedure Preventing Insider Trading" for all employees, managers and board members, as well as those who know the information based on the occupation or control relation to prohibit any behaviors that could be involved in the insider trading, so that can protect the rights and interests of the investors and the ADVANTECH.The related information above is disclosed on our website.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
3.Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members? (2) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? (3) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board,and use the results as a basis for determining the remuneration and nomination of individual directors? (4) Does the Company have the independence of the public accountant evaluated regularly?	V V V V		(1)The Company has the board directors diversification policy defined in the "Corporate Governance Best-Practice Principles." The Company's board members must be equipped with the finance and economics,accounting,regulatory and leadership, decision-making, and operational management abilities for performing job duties that is beneficial to the development and operations of the Company.(Note1) (2)The Company has not yet established other functional committee. (3)The Company has established the Regulations Governing the Board Performance Evaluation. The Company shall conduct the evaluation of board performance before the end of every year. The scope of evaluation may cover the evaluation of the Board as a whole, individual directors and functional committees. An evaluation report shall be submitted to the Board for discussion and improvement. The evaluation report in 2019 has been submitted to the Board in March 2020 to discuss the operation of the Board as a whole, individual directors and functional committees and to propose recommendations for improvement. Board members received more than 90% of satisfaction, and the evaluation of board performance was graded excellent. In the future, the Company will continue to improve the operation of the Board and its participation in the Company's operation. From October to December 2017, the Company employed Taiwan Corporate Governance Association to conduct the evaluation of Board performance in 2017. The evaluation contained 38 questions in eight aspects, namely composition, guidance, authorization, supervision, communication, self-regulation, internal control, and risk management of the Board and was conducted by survey and field review. The	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			result of the evaluation was reported to the Board in March 2018 to further improve the functions of the Board. Overall Evaluation to the Board of Directors of Advantech: There are seven members in the Board of Directors of Advantech, except two seats are taken by the Chairman and the former General Manager, the other five seats are taken by appointed personnel not employed by the Company (including three Independent Directors). The backgrounds of the members covers fields of science and technology, business management, corporate governance, and most of the members have experience of managing large-scale MNEs, which matches the Company's goals of becoming a global business with the most key influence to industries of automation , embedded computers, and Internet of Things. (4) The Board of Directors of the Company evaluates the independence, competence and professionalism of the CPA every year on a regular basis, and requests the CPA to provide the statement of independence every year. The Board of Directors reviews the independence and appointment of the CPA based on his/her profile (including detailed work experience and current clients), non-audit services, and the statement of independence (in compliance with the Norm of Professional Ethics for CPA No.10). Note2	
4.Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders’	V		It has been reported to the Board that the Company will set up a full-time corporate governance unit as the corporate governance team under the Corporate Social Responsibility Steering Committee, and that a person will be selected from the corporate governance team to be in charge of corporate governance affairs, including matters related to the Board and shareholders’ meeting, corporate registration and amendment registration, and information disclosure.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
meetings)?			i. Arrangement of the meetings of the board of directors according to law/regulation: Notify all directors seven days in advance and provide related data, to facilitate their understanding of items on the agenda;remind directors avoiding interest of conflict, should the items be related to their interests or the interests of legal entities they represent; distribute minutes for the meeting within 20 days. ii. Arrangement of shareholders' meeting according to law/regulation: Register date for shareholders' meeting by legal deadline,produce and submit notice, manual, and minutes of the meeting by deadline, and change corporate registration after revision of corporate charter or election of directors and supervisors. iii.Based upon "Regulations Governing the Board Performance Evaluation," board secretary collects the information related activities of the board, distributing the questionnaire to collect self evaluation of the board of directors, turning in to the board to review and improve at the end of the year. iv.Oversee the establishment of "administrative platform for corporate governance," in order to integrate and track various corporate-governance indicators and have a firm grip of the progress of corporate governance. Starting from the company's vision for corporate governance and based on the evaluation indicators of the "corporate governance evaluation," drafted by the Taiwan Stock Exchange, the platform reviews regularly, alongside various related units, various corporate-governance items,sets various corporate-governance goals,and tracks the execution, as well as results,of various corporate-governance items by units in charge, so as to sustain performance. v.Handle related issue about investor relations: investor relations team provides AGM information, material	

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			information announcement, financial statements,presentation material about finance and operation, information about domestic and overseas conferences.	
5.Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		(1) The Company has a spokesperson, stock affairs supervisor, and associated person assigned to establish a comprehensive communication channel, and regularly or irregularly held briefings to offer a face-to-face and comprehensive communication interface targeting on various issues and inquiries. (2) The Company sets up the Advantech CSR website in English and the stakeholder section on the Company's website. The Company also responds to the stakeholder's concern over CSR issues through stakeholder questionnaire, notice of collection, website, and CSR reports.	None
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company commissioned a professional stock affairs service agent - KGI Securities Co., Ltd. Shareholder Service Department to handle the Company's stock service matters, and with the “Guidelines for Handling of Stock Affairs” stipulated to regulate the relevant operations.	None
7.Information disclosure (1)Does the Company have a website setup and the financial business and corporate governance information disclosed? (2)Does the Company have adopted other information disclosure methods (such as, establishing an English website, designating responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	 V V		(1)The company profile and business information is disclosed in the Company's website with the shareholder's section setup to disclose financial information and corporate governance; also,to establish a communication channel for communicating to investors. (2) The Company has information fully disclosed through the English website, assigning the Investor Relations Commissioner for information collection and disclosure, a clear spokesperson system, and the investor conference on the Company's website. (3) The Company announces and reports annual financial	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
(3)Does the company announce and report annual financial statements within two months after the end of each fiscal year,and announce and report Q1, Q2,and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		statements Within three months of the end of each fiscal year,and announces and reports Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit.	
8.Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		(1).The interests of employees and employee care: Offer staff salaries higher than the minimum wage defined in the Labor Standards Act, better employee benefits than the industry standard, insurance coverage and pension benefits according to the law; also, group insurance and overseas business traveling insurance in order to protect the work and life safety of colleagues. Regulate labor safety and health code, exercise Job Equality Act, provide safe, healthy, and harassment-free working environment and culture, and achieve ISO-14001 (Environmental Management International Standard) and OHSAS-18001 (Occupational Health and Safety Management System) certification. Initiate two performance evaluations of the colleagues during the middle of the year and at the end of the year in order to achieve the overall business plan and as a reference for staff promotion, employee training and development, and payment of salaries. Ensure all employees are protected by the Collective Bargaining Agreement through labor meetings, department meetings, seminars, Suggestion Box, and other communication channels. (2)Supplier relation: On the supplier management, the ADVANTECH had introduced the "Electronic Industry Code of Conduct (EICC)" since 2010, and strictly brought the principle of the environmental protection into the mechanism of supplier management to establish the Green Supply Chain Management System. The suppliers are managed via the	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			Supplier Management System (SMS), and the behavior review/verification for the important suppliers, including supplier add/change as well as the procedures to evaluate the suppliers are specified in the Management Document (M-001_purchase procedure). The “Purchase Behavior Criteria”worked out in the ADVANTECH specifies the purchase behavior. Meanwhile, the suppliers must sign the Commitment to Honesty to follow the honesty. (3)Investor Relations: Information is fully disclosed through the MOPS and the Company’s Website to help investors understand the Company’s operating conditions and to communicate with investors through the shareholders’ meeting and the spokesman. (4)Continuing education of directors and supervisors: The Company actively encourages directors to participate in continuing education as scheduled below. (5)Customer Policy: The Company keeps in contact with customers regularly and communicates the needs of the customers through online/telephone, customer service, and Account Manager System; also, a Suggestion Box is setup to respond to customer complaint promptly. (6)The acquisition of liability insurance for directors : The Company has acquired liability insurance for directors and supervisors .	
9.Does the Company have a corporate governance self-assessment report prepared or a corporate governance assessment report issued by the commissioned professional institutions? (If yes, please state the opinion of the board of directors, the self-assessment or outsourcing evaluation results, the main nonconformity or suggestion, and implementation	V		ACL elected the independent directors,set up the audit committee,and particularly disclosed the information on ourwebsite to meet the corporate governance requirements.The Company will make improvement progressively according to the plan to be made for the matters that have not been improved.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
of improvement)				

None1

Diversified core projects / Director Name	Gender	Capability of Operational Judgement	Capability of Accounting & Finance judgement	capability of management	capability of awareness	Industry knowledge	Global market observation	Capability of leadership	capability of decision making
K.C. Liu	Male	V		V	V	V	V	V	V
Ted Hsu	Male	V		V	V	V	V	V	V
Donald Chang	Male	V		V	V	V	V	V	V
Chaney HO	Male	V		V	V	V	V	V	V
Joseph Yu	Male	V	V	V	V		V		
Jeff Chen	Male	V	V	V	V	V	V	V	V
Benson Liu	Male	V	V	V	V		V	V	V

None2 Assessment criteria of accountant's Independence

My family and I do not have any material financial interest, directly or indirectly, with the audit client.	2018 Assessment Result (Y/N)	Independence (Y/N)
If the audit client is a financial institution, a loan or guarantee provided by the financial institution for my family and me is a normal commercial activity.	Y	Y
My family and I do not have a commercial relation with the audit client or its directors, supervisors, or managerial officers that will affect the independence.	Y	Y
I have not served as a director, supervisor or managerial officer of the audit client or taken up a post that has a significant impact on the audit engagement currently or in the past two years, nor have I undertaken to take up the aforesaid post.	Y	Y

During the audit, my family do not serve as directors, supervisors or managerial officers of the audit client or take up a post that has a direct and significant impact on the audit engagement.	Y	Y
During the audit, I have no lineal or immediate affinity or second degree of kinship with a director, supervisor or managerial officer of the audit client.	Y	Y
I do not receive presents or gifts of great value from the audit client or its directors, supervisors, managerial officers or major shareholders.	Y	Y
The audit team has performed the necessary audit of independence/conflict of interest and finds no violation of independence or unsolved conflict or interest.	Y	Y

■ The acquisition of liability insurance for directors and supervisors:

Insured object	Insurance company	Amount of insurance coverage (NT$)	Insurance period
All directors and supervisors	Cathay Century Insurance Co., Ltd.	153,575,000	04/01/2019 - 04/01/2020

3.3.4 The composition of the Remuneration Committee, responsibilities, and operation”:

A. Remuneration Committee members:

Identity (Note 1)	Terms / Name	Over five years of experience and the following professional qualifications			Independence criteria (Note 2)										Serving as a Remuneration Committee member of another public company	Remarks (Note 3)
		University teaching in areas of commerce, law,finance, accounting or related corporate business	Working as a judge, attorney,lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8	9	10		
Independent director	Joseph Yu	v		v	v	v	v	v	v	v	v	v	v	v	1	NA
Independent director	Benson Liu	v		v	v	v	v	v	v	v	v	v	v	v	2	NA
Others	Caroline Wang	v		v	v	v	v	v	v	v	v	v	v	v	0	NA

Note 1: Please indicate the identity as directors, independent directors, or others.
Note 2: A “✓“ is marked in the space beneath the respective column when a director or supervisor has met that condition during the two-year prior to election and during his or her period of service; the conditions are as follows:
（1） Not employed by the Company or an affiliated business.

（2） Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

（3） Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

（4） Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).

（5） Not a director, supervisor, or employee of a corporate shareholder that directly holders 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

（6） Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

（7） Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws)..

（8） Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws)..

（9） Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee,or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

（10） Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

B. The operation of Remuneration Committee

1.There are three members in Remuneration Committee of the Company.

2.Current term of office: May 26, 2017 ~ May 25, 2020; the most recent year (2019)

The Board held 3 meetings (A) with the attendance record and qualification of Committee members as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Joseph Yu	3	0	100%	
Independent director	Jeff Chenn	3	0	100%	
Committee Member	Caroline Wang	3	0	100%	

Other required information:

1. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee: None
2. For resolutions reached by the Remuneration Committee regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, the Remuneration Committee meeting date, period, content of the resolution, opinions of all members, and the handling of the opinions of the members: None.

Remuneration Committee	Subjects	Resolution results	Company reaction base on the opinion of Compensation Committee
The 5th meeting of the 13th session on January 22, 2019	1.The company's 2018 employees' compensation for Management Team followed by the discussion and decision making by Compensation Committee. 2.The company's 2018 remuneration for directors followed by the discussion and decision making by Compensation Committee. 3.Reported the 2018 performance appraisal of Board of Directors and Functional Committee.	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors
The 6th meeting of the 13th session on July 27, 2019	1.The company's 108 managers' work goals. 2. Review and revise the " Regulations Governing Remuneration of Managerial	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors

	3. Review and revise the Regulations Governing Remuneration of Directors. 4. Review the Remuneration Committee Annual Meeting Plan		
The 7th meeting of the 13th session on August 02, 2019	1. Review the company's overall salary and compensation policies, systems, standards and structure 2.Review the company's overall performance evaluation policies, systems, standards and structure 3.Review the company's the board performance evaluation	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
1.Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		(1)The Advantech has initiated environmental protection management projects that emphasize energy conservation, carbon reduction, and waste reduction. Advantech's industrial waste per manufacturing unit declined since Advantech combined Xindian board factory into Linkou intelligent campus and used nitrogen to reduce waste while producing. (2) In 2010, the company established a green supply chain management system. With this system,suppliers must guarantee and verify that their products do not contain any of the hazardous substances. The Advantech manages its suppliers by conducting on-site inspections of key suppliers according to the procurement procedures. (3)The Advantech believes that its ongoing success and advancement depend on the collective efforts of employee talents, the company treats all employees	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Explanation	
			equally and with respect. Additionally, Advantech welcomes job seekers who identify with the company’s corporate philosophies and culture and are willing to grow and work for mutually beneficial achievements. (4) The Company complies with the Fair Trade Act, Foreign Trade Act, Regulations Governing Export and Import Of Strategic High-tech Commodities, Export Administration Regulations of the United States of America, and Regulations Governing Permission of Trade Between Taiwan Area and Mainland Area,and all products comply with the international safety standards,international environmental regulations and import and export regulations. This ensures that the business activities are environmentally friendly and complies with ethics. (5) The rise of awareness on global warming and climate change issues has necessitated businesses to manage risks associated with climate changes in order to ensure sustainable development. Advantech has participated in the Carbon Disclosure Project (CDP) since 2009, which requires the company to publish its greenhouse gas inventory data regularly on the CDP website for customers and stakeholders.	
2.Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board?	V		The Company has a “Corporate Culture and Social Responsibility” Department setup; also, there are specific individuals responsible for planning and promoting industry-academia collaboration, Able Club, social welfare, arts and cultures sponsorship, corporate social responsibility websites, and other CSR-related projects. The work progress and project achievement is reported to the Chairman and the Board of Directors periodically. Please refer to the illustration below regarding the CSR-related tasks: CSR Website：http://www.advantech.tw/csr/	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Explanation	
			Corporate Social Responsibility Report (CSR Report): https://advcloudfiles.advantech.com/csr/Report/2019-CSR-Report.pdf Advantech Co., Ltd. Able Club website: http://ableclub.advantech.com.tw In addition, in order to substantiate the spirit of corporate social responsibility, except for the specifically designated departments, in response to the different professions and focuses for each CSR project, a trans-departmental work team is setup to be responsible for planning and execution. Such as, for Corporate Social Responsibility Report, the Corporate Culture Department, Brand Development Department, and Public Relation Department shall cooperate to organize a trans-departmental Promotion Office jointly with all the accountable departments, including “Corporate Governance Committee,” “Labor Relation Committee,” “Environmental Protection Energy-Saving Committee,” “Communication Committee,” “Social Care Committee,” “Industry-Academia Collaboration Committee,” etc. to promote and realize corporate social responsibility.	
1. Environmental issues (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (2) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment? (3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues? (4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two	V V V V		(1)Th Company has established ESH Management Committee and ISO14001 environmental management system, which includes the following items: a.Collect, assess, and identify the impact of the Company’s activities, products, and services on the natural environment. b.Establish measurable goals of environmental sustainability and regularly review the continuity and relevance of its development. c.Set specific action plans and regularly review the effectiveness of the operation.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
years, and does it establish policies for energy conservation & carbon reduction,greenhouse gas emission reduction, water use reduction, and other waste management?			(2)The Company is committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environment (3)Advantech has participatedin the Carbon Disclosure Project (CDP) ,which requires the company to publish its greenhouse gas inventory data regularly on the CDP website for customers and stakeholders. In 2018, Advantech referenced TCFD (Task Force on Climate-related Financial Disclosures) and evaluated the list of climate change risks, including potential risks and opportunities, and corresponding measures. (4)Advantech annually discloses greenhouse gas emissions, water consumption, and total weight of waste. Advantech has implemented a number of measures to achieve the reduction targets and regularly reviewed the effectiveness of its operations. In order to ensure the credibility of greenhouse gas emissions data, on-site verification of ISO 14064 by Taiwan Inspection Technology Co., Ltd. (SGS) since 2019.	
2. Social issues (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights? (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? (3) Does the Company provide employee with a safe and healthy working environment, and provide safety and health education to employees regularly? (4) Does the company set up effective career development and	V V V V		(1)In compliance with the relevant laws and labor regulations and in accordance with International Labor Convention and International Bill of Human Rights, Advantech Co. Ltd. formulated Business Conduct and the Employee Handbook and had them published on the Employee Portal for the convenience of our employees and managers. Advantech respects for employees' equal appointment and career development opportunities and will have no disparate treatment discrimination, or any form of discrimination in terms of personal gender, race, religion, political party, sexual orientation, rank, age, nationality and	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
training programs for its employees? (5) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures? (6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health,and labor rights, and what is its implementation status?	V V		other issues. We are committed to providing employees with a safe and high-quality work environment, and with respect to our policies, Advantech faithfully abides by all kinds employment and labor laws; employment of child labor or illegal workers is prohibited; sexual harassment is prohibited; and the company is committed to providing employees with a safe and healthy work environment complying with various environmental laws and regulations and avoiding environmental pollution through proper management and technical applications. (2) The Group complies with the Labor Standards Act and related laws and regulations when setting salary and benefit measures,and provides benefits that are competitive in the market to encourage employees. Furthermore, periodic evaluations are conducted for issuing performance bonuses to share profits with employees. (3)The Company offers employees safe and healthy working environment and passes the occupational safety and health management system certification; provides employees with annual health checks that is better than the requirement of the Labor Standards Act; also, has the safety and health education arranged in the orientation that is held once in every two-month. (4)The Company, through "Advantech School," has diversified curriculum planned, established effective career capacity development and training program for employees; also, reflected the Company's operating performance and results appropriately in the employee remuneration policies to ensure the recruitment, retention, and encouragement of human resources in order to reach the	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			goal of sustainable business operation. (5)The company complies with relevant regulations and follows international standards for product and service on customer health and safety, marketing and labeling, such as CE, FCC electromagnetic compatibility regulations as well as safety regulations for each product category (such as information technology equipment , industrial control, Medical Electrical Equipment , Vehicle, ship, etc.), and all related information has been released to the company website. https://www.advantech.tw/csr/social_contribution/care_for_environment_overview For customer privacy protection, formulate and release relevant policies to protect consumer rights and interests on the company website. http://www.advantech.com/legal/privacy Product do comply with international laws and regulations on environmental protection, from getting effective use on natural resource to the ban of harmful substances, and also follow international green product related regulations. Advantech promotes green products basing on safety, energy saving and environmental protection three aspects, and announces them on the company's CSR website. https://www.advantech.tw/csr/social_contribution/care_for_environment_overview The company has a policy to protect consumer rights and appeal procedures, and has developed program files such as a quality feedback system, customer service platform, and repair operation instructions to ensure proper handling. Please refer to the company's CSR website about quality commitment. https://www.advantech.tw/csr/company_commitment/quality_assurance (6)In 2010, the company established a green supply chain	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>management system.
Advantech manages its suppliers by conducting on-site inspections of key suppliers according to the procurement procedures. An inspection checklist is used to confirm the suppliers' processes, quality, environmental safety and health, labor conditions, and CSR management. Through a supplier management platform, the company conducts quarterly evaluations to rate supplier quality, delivery, and their willingness to cooperate.</td><td></td></tr>
<tr><td>4.Strengthening information disclosure
Does the Company have the relevant and reliable CSR information disclosed on the Company’s website and MOPS?</td><td>V</td><td></td><td>The Company has the CSR website setup and has the relevant and reliable CSR information disclosed on the Company’s website and MOPS. The Company has corporate social responsibility information disclosed as follows:
a.The CSR policies, systems, or specific promotion plan resolved in the Board meeting.
b.The risk and impact of substantiating corporate governance, development of sustainable environment, and maintenance of social welfare on the Company’s operations and financial condition
c.The goal, measures, and performance of the CSR drafted up by the Company
d.The main stakeholders and the issues of concern
e.The management and performance of environmental and social issues disclosed by the major suppliers
f.Other CSR-related information</td><td>None</td></tr>
<tr><td colspan="5">5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports?Do the reports above obtain assurance from a third party verification unit?
This report was independently verified by SGS Taiwan Ltd. and found to conform to the AA1000ASType 2 High level of assurance.</td></tr>
<tr><td colspan="5">6. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation:
Advantech has established the Code to require that all employees, officers and board members comply with the Code and the other policies and procedures.
There is no discrepancy between the Code, including its affiliate policies and procedures, and its implementation.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	

6.Other important information helpful in understanding the corporate social responsibility operation:

Advantech always believes that corporate citizen in the society must fulfill its civic responsibility. We have brought this belief into our daily business operation mechanism. In practice, Advantech fulfills its civic responsibilities through the following four aspects of corporate commitment, social care, cooperation of academy and industry, and staff care:

- Corporate commitment: We have the corporate governance perfected and been responsible to the stakeholders through the organizational operation and audit system of the Board of Directors, Audit Committee, Remuneration Committee, and Risk Management Committee; also, dedicated to the continuing innovation of design, production quality, and reliability through the quality management and commitment that is part of the corporate culture, been responsible to the customers and the environment, and received a number of international certifications and affirmations.
- Social Care: Advantech is committed to the promotion of culture and education, and through Advantech Education and Culture Foundation, numerous projects have been organized to give back to society and assist those in need. In sponsoring social innovation projects, the "TiC100 Social Enterprise Competition" and the "iLab Project", are the project which provide resources and nutrients for Taiwan's social innovation practitioners. In so doing, our partner and Advantech are making positive change in society. As for the educational projects, our partner, Junyi Academy, uses technology to arrow the digital gap in the remote county for those disadvantaged students. And the "ACT's Active & Creative Teaching" project, Advantech volunteers in Taiwan provide life education through story-telling in elementary schools. Advantech Foundation also sponsor "Your vote, the power to decide the love" social welfare proposal – total grant $927M TWD to help small social welfare organization to realize their project around Taiwan. Last but not least, in promoting culture, Advantech Foundation are committed to promoting a series of art and cultural projects for years, hoping to enhance the artistic and Taiwan cultural literacy. We sponsor the National Taiwan Opera Academy to cultivate traditional art stars, and to be a traditional art culture. In addition, the Advantech Foundation regularly sponsor local performing arts groups, total grans in 2019 is over $407M TWD.
- Industry-Academy Cooperation: Advantech believes that only the integration of innovation and learning characteristics of "industry-academy cooperation" is the driving force to activate social progress in the future. Advantech has constantly provided free resources to students through varies programs including: Elite100 Internship Program, Early Design Internship (industrial product forward-looking design competition), EACC Case Study and sponsorship to Harvard Business Review (traditional Chinese version), AIoT Developer InnoWorks (competition for worldwide developers), sponsorship to NCTU IoT lab.
- Employee care: We starting out from "Work, Learn, and Love" are determined to made Advantech an open development platform; also, to make Advantech a trustworthy enterprise that the colleagues can trust their happy life with the Company. In terms of "work," we provide cross-field, cross-border, and diversified job opportunities, encourage employees to expand their international perspective and work experience through job rotation, or compete to secure a cross-field job voluntarily in order to improve self-competitiveness at work place. In terms of "learning," Advantech provides staff with a variety of continuing education opportunities to enhance capability; also, plans online e-learning system and employee website to provide Advantech basic talent cultivation information and the concept of business direction. Moreover, a series of courses are planned for the elite talent to study the business operation of Advantech, to form practical hands-on experience, and to pass on the unique business philosophy of Advantech. In terms of "love," we are in the pursuit of a happy life. Advantech ABLE Club (Advantech Beautiful Life) has sports, love, Lohas, arts and cultural activities planned. Employees in their spare time are expected to innovate and learn, to experience life, to contribute to society, to practice altruistic ideas, and to create a happy life. The activities arranged by Advantech ABLE Club in 2018 were with the participation of over 10,000 persons.

3.3.6 Ethical Corporate Management

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
1.Formation of ethical management policies and methods (1)Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies? (2)Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies? (3)Did the company specify operating procedures, guidelines for conduct,punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	V V V		(1)The Company has established the Ethical Corporate Management Best Practice Principles, which has been published on the Company's website and CSR website. The Ethical Corporate Management Best Practice Principles stipulate that directors, managers, employees, and mandataries of the Company or persons having substantial control over the Company shall implement the concept of ethical corporate management with the principle of good faith. (2)The Ethical Corporate Management Best Practice Principles explicitly stipulate procedures and guidelines for preventing unethical conduct. The Whistle-blowing Handling Guidelines have also been established for implementation. (3)The Ethical Corporate Management Best Practice Principles have stipulated the preventive measures for business activities which are possibly at a higher risk of being involved in unethical conduct prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or within other business scopes.	None
2.Substantiation of ethical management (1)Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed? (2)Did the company establish a dedicated unit under the board of directors to promote ethical corporate management,and periodically (at least once a year)report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	V V V		(1) The Company expects and takes action to help trading partners recognize and comply with ethical corporate management. Depending on the circumstances, the provisions pertaining to ethical conduct will be prescribed in the contracts entered into with trading partners. If any unethical conduct is found during transactions, the Company may terminate the transactions or rescind the contracts. (2)The Human Resources Department and the Legal Department jointly cooperate to conduct internal education	None

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
(3)Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4)Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit? (5)Does the Company have organized ethical management internal and external education and training programs on a regular basis?	V V V		and training for the Company's employees and establish an effective system of professional ethics and compliance. Externally, the Purchase Department invites external suppliers to participate in the supplier conferences held by the Company to share the concept of the Company's integrity management. In the future, the Purchase Department will invite external suppliers to participate in the online Supplier Relationship Management (SRM), and inform the Legal Department about such implementation. The Legal Department will report the relevant operations to the Board of Directors once per year, and ensure that all operations of the Company comply with the requirements of relevant regulations and Ethical Corporate Management Best Practice Principles under the supervision of the Board of Directors. (3)The Company's "Guidelines for the Adoption of Codes of Conduct" for employees and the "Guidelines for the Adoption of Codes of Ethical Conduct" for the directors and managers include the clause of conflict of interest prevention; also, report any doubtful conflict of interest to the direct supervisor. (4)To ensure the implementation of ethical corporate management, the Company has set up the accounting system and the internal control system, whose implementation will be audited by internal auditors on a regular basis and reported to the Board. (5) The Company has published regulations and policies on the website for all employees' access. They are also included in the employee orientation and user manuals; in addition, the Company will organize a supplier online conference on a regular basis to facilitate communication and make known	

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
			related regulations pertaining to ethical corporate management through the Supplier Relationship Management (SRM) in the future. The Legal Department shall hold online education on the concept of the Company's integrity management once a year for all employees.	
3.The operation of the Company's Report System (1)Does the Company have a specific report and reward system stipulated, a convenient report channel established, and a responsible staff designated to handle the individual being reported? (2)Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation? (3)Does the Company have taken proper measures to protect the whistleblowers from suffering any consequence of reporting an incident?	V V V		(1)The Company has set up an email box and a whistle-blowing mailbox to encourage employees, clients, and third-party suppliers to express their opinions and report unethical conduct. The audit unit takes charge of the whistle-blowing mailbox and report to the Board and the chairman of the Board. Depending on the circumstances, investigators will be appointed to investigate the cases reported. (2)The Company has established the Whistle-blowing Handling Guidelines and related procedures, which stipulate that the identity of whistleblowers and contents reported shall be kept confidential and that investigators shall take proper care of information obtained during the investigation. To fully protect whistleblowers, an independent code will be assigned to each case reported. (3)The Company has the "Regulations Governing the Reporting" and related operating procedures stipulated. The identity of the whistleblower and the content of the reporting should be kept confidential and protected; also, the involving investigators should not disclose any information without authorization so to protect the whistleblower from any unfair treatment, retaliation, or threat.	None
4.Strengthening information disclosure Does the Company have the content of ethical management and its implementation disclosed on the website and MOPS?	V		The Company has a website in Chinese and English and a CSR website established; also, the "Ethical Management Best-Practice Principles" is published on the MOPS.	None

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
5.If the Company has the "Ethical Management Best-Practice Principles" stipulated in accordance with the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies," please state its deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" in operation: Advantech has established the Code to require that all employees, officers and board members comply with the Code and the other policies and procedures. There is no discrepancy between the Code, including its affiliate policies and procedures, and its implementation.				
6.Other important information helpful in understanding the ethical management operation: (Such as, the Company has its Ethical Management Best-Practice Principles reviewed and amended, etc.) Request the suppliers and contractors (including security company) through the Procurement Department and General Affairs Department to sign the "Corporate Social Responsibility and Environmental Safety and Health Commitment" and in the future, through the Supplier Relationship Management (SRM) to implement the relevant education and training and advocacy.				

3.3.7 The Company has the corporate governance Best-Practice Principle and the related inquiries established: The Company website is with the corporate governance section designated for investor's inquiring and downloading corporate governance-related regulations; also, it is published on the MOPS.

3.3.8 Other important information helpful in understanding the corporate governance operation: None

3.3.9 The implementation of the internal control system:

Advantech Co., Ltd.

Statement of Internal Control System

Date: March 06, 2020

Based on the findings of a self-assessment, Advantech Co., Ltd. (Advantech) states the following with regard to its internal control system during the year 2019:

1. Advantech’s Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and Advantech has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishment the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of Advantech contains self-monitoring mechanisms, and Advantech takes immediate remedial actions in response to any identified deficiencies.
3. Advantech evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (herein below, the “Regulations“). The criteria adopted by the Regulations identify five components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. Advantech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Advantech believes that, on December 31, 2018, it has maintained, in all material respects, and effective internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability , timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Advantech’s Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting on March 6, 2020, with all of the seven attending directors all affirming the content of this Statement.

Advantech Co.,Ltd.

K.C. Liu
Chairman

Eric Chen
General Manager

Miller Chang
General Manager

Linda Tsai
General Manager

3.3.10 If a CPA is commissioned to review internal control system specifically, the review report should be disclosed: None

The Company and its internal staff being punished lawfully, the punishment given by the Company to the violators of internal control system, major nonconformity, and the improvement in the most recent year and up to the publication of the annual report: None

3.3.11 The material resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication of the annual report:

■ Important resolution reached in the Shareholders' meeting and its implementation Advantech had the 2019 general shareholders' meeting held at the Neihu Headquarters on May 28, 2019. The resolutions reached in the shareholders' meeting and their implementations are as follows:

1. The acknowledgement of the 2018 business report and financial statements
   Implementation: Resolved and acknowledged.
2. The acknowledgement of the Company's 2018 earnings distribution.
   Implementation:Scheduled the distribution date on July 15, 2019 and the payment date on August 08, 2019 (Cash dividend: NT$6.8)
3. The acknowledgement of the Company's "Articles of Association" amendment.
   Implementation:The Ministry of Economic Affairs approved the change registration and the announcement on the Company's website on June 11, 2019.

■ Important resolutions of the Board of Directors

The important resolutions of the Board of Directors in 2019 and up to the printing date of the annual report are summarized as follows:

1. General board meeting on March 08, 2019:
   - Approved the Company's 2019 business budget and operating plan.
   - Approved the Company's 2018 business report, proprietary financial statements and consolidated financial statements.
   - Approved the Company's 2018 distribution of remuneration to employees and remuneration to directors supervisors.
   - Approved the Company's 2018 earnings distribution.
   - Approved the Company's 2018 general shareholders' meeting convening matters.
   - Approved the time period and place to accept shareholder's proposals for the Company's 2019 general shareholders' meeting.
   - Approved the 2018 CPA Independence Assessment Proposal.
   - Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.
   - Approved the application filed for the Company's 2019 bank credit line and authorized the Chairman to apply to the bank for credit loan renewal project within the credit line depending on the business operation.
   - Approved the Company's 2018 "Declaration of Internal Control" completed.
   - Approved the Company's "Articles of Association" amendment.
   - Approved the Company's "Procedures For Acquisition or Disposal of Assets " amendment
   - Approved the Company's "Procedures For Financial Derivatives Transactions " amendment
   - Approved the of Advantech subsidiary Advantech Corporate Investment, a new company will be incorporated.
2. General board meeting on May 03, 2019:
   - Approved the Company's 2019Q1 consolidated financial statements.
   - Approved the Company's appointment of Chief Internal Auditor.
3. General board meeting on July 23, 2019:

- Approved Advantech Corporate Investment) acquires common stocks of Hwacom Systems Inc. via private placement of securities.

4.General board meeting on August 2, 2019:

- Approved the Company's 2019Q2 consolidated financial statements.

5.General board meeting on November 1, 2019:

- Approved the Company's 2019Q3 consolidated financial statements.
- Approved Advantech Corporate Investment, a subsidiary, to invest in the China Broadband Capital Partners IV, L.P. (CBC IV fund) for US$10.35 million.

6.General board meeting on Mar 06, 2020:

- Approved the Company's 2020 business budget and operating plan.
- Approved the Company's 2019 business report, proprietary financial statements and consolidated financial statements.
- Approved the Company's 2019 distribution of remuneration to employees and remuneration to directors .
- Approved the Company's 2019 earnings distribution.
- Approved the Issuance of new shares from capital increase by earnings.
- Approved the Company plans to issue employee share options with price lower than fair market value
- Approved the Company's 2020 general shareholders' meeting convening matters.
- Approved the time period and place to accept shareholder's proposals for the Company's 2020 general shareholders' meeting.
- Election of directors.
- Exemption of the limitation of non-competition on the directors of the Company.
- Approved the 2019 CPA Independence Assessment Proposal.
- Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.
- Approved the application filed for the Company's 2020 bank credit line and authorized the Chairman to apply to the bank for credit loan renewal project within the credit line depending on the business operation.
- Approved the Company's 2019 "Declaration of Internal Control" completed.
- Approved the Company's "Articles of Association" amendment.
- Approved the Company's "Procedures for Lending Funds to Other Parties " amendment
- Approved the Company's "Procedures For Endorsement & Guarantee " amendment。

3.3.12 The contents of the board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report: None

3.3.13 The resignation or dismissal of the Company's Chairman, President, Accounting Officer, Finance Office, Internal Audit Director, and R&D Director in the most recent year or up to the publication of the annual report: None

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

CPA Firm	Name of CPAs		Audit Period	Remark
Deloitte & Touche	Jr-Shian Ke	Meng Chieh Chiu	01.01.2019 - 12.31.2019	

Monetary unit: NT$ Thousand

Fee Range \ Fees Items		Audit fee	Non-audit fee	Total
1	Under NT $2,000,000			
2	NT$2,000,001～$4,000,000		3,487	3,487
3	NT$4,000,001～$6,000,000			
4	NT$6,000,001～$8,000,000			
5	NT$8,000,001～$10,000,000			
6	Over NT$100,000,000	13,510		13,510

■ If the non-audit fees paid to the CPAs, CPA Firm, and its affiliated companies is over 25% of the audit fee, the amount of audit fee and non-audit fee and the contents of the non-audit service should be disclosed:

Monetary unit: NT$ Thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fees					Audit Period	Remark
			System design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Jr-Shian Ke Meng Chieh Chiu	13,510		242		3,245	3,487	01.01.2019 - 12.31.2019	Other: Transfer pricing service fees

■ If a new CPA Firm is commissioned to serve for an audit fee less than the year before, please disclose the audit fee amount before and after the CPA replacement arranged and the reason for doing so: None

■ If the audit fee of current year is more than 15% less than the year before, please disclose the audit fee amount and ratio reduced and the root cause of the fee reduction: None

3.4.2 Replacement of CPAs: None

3.4.3 The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year: None

3.5 Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report:

Changes in equity:

Title	Name	2019		As of March 31	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
Director	K.C. Liu	0	0	0	0
Director	Advantech Foundation	0	0	0	0
Representative	Chaney Ho	220,000	0	(250,000)	0
Director	Ted Hsu	0	0	0	0
Director	AIDC Investment Corp.	0	0	0	0
Representative	Donald Chang	0	0	0	0
Independent director	Jeff Chen	0	0	0	0
Independent director	Joseph Yu	0	0	0	0
Independent director	Benson Liu	0	0	0	0
President	Eric Chen	(42,000)	0	38,000	0
President	Miller Chang	1,000	0	0	0
President	Linda Tsai	(4,000)	0	27,000	0
Vice President	Deyu Yin	0	0	0	0
Accounting Officer	Rorie Kang	0	0	0	0
Major shareholder	Asus Computer Co., Ltd.	0	0	0	0
Major shareholder	K and M Investment Co., Ltd.	0	0	0	0

3.5.1 The counterparty of the equity transfer is a related party: None

3.5.2 The counterparty of the equity pledge is a related party: None

3.6 The Top-10 shareholders who are the spouses or relatives within second-degree to each other:

Unit: Shares; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Title	Relations	
Asus Computer Co., Ltd. Representative: Jonny Shih	100,628,870	14.36	0	0	0	0	None	None	None
	0	0	0	0	0	0	None	None	None
K and M Investment Co., Ltd. Representative: K.C. Liu	83,073,163	11.85	0	0	0	0	AIDC Investment Corp.	Director	None
	25,620,886	3.66	1,379,794	0.20	0	0	Advantech Foundation	Director	
AIDC Investment Corp. Representative: Mary Chang	82,097,182	11.71	0	0	0	0	K and M Investment Co., Ltd	Director	None
	1,379,794	0.20	25,620,886	3.66	0	0	Advantech Foundation	Director	
K.C. Liu	25,620,886	3.66	1,379,794	0.20	0	0	K and M Investment Co., Ltd.	Director	None
							AIDC Investment Corp.	Director	
							Advantech Foundation	Director	
HSBC commissioned to manage Yuan-Wang Partner Fund Limited Partnership account	21,988,359	3.14	0	0	0	0	None	None	None
Tran-Fei Development Co., Ltd.	20,431,916	2.92	0	0	0	0	None	None	None
Advantech Foundation Representative: K.C. Liu	20,288,715	2.89	0	0	0	0	K and M Investment Co., Ltd.	Director	None
	25,620,886	3.66	1,379,794	0.20	0	0	AIDC Investment Corp.	Director	
First State Investments ICVC - Stewart investors Asia Pacific Leaders Fund	19,029,000	2.72	0	0	0	0	None	None	None
Yong-Shun Zhuang	15,921,725	2.27	0	0	0	0	None	None	None
First State Global Umbrella Public Limited Company - First State Asian Equity Plus Fund	9,095,208	1.30	0	0	0	0	None	None	None

Note1: lustrate the name of the Top-10 shareholders; also, illustrate separately the name of the institutional shareholder and its representative.
Note2: The shareholding ratio is calculated by referring to the shares held by the Principal, the Principal's spouses and underage children, or by nominee agreement.
Note3: Disclose the relationship among shareholders referred to above, including the juristic person and natural person.

3.7 The shares of the invested company held by the Company, the Company's directors, supervisors, managers, and companies controlled directly or indirectly, and the aggregated overall shareholding ratio:

% Unit: Shares; %

Item	Affiliated Enterprises	Abbreviation	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/ Managers		Total Ownership	
			Shares	(%)	Shares	(%)	Shares	(%)
01	Advanixs Corporation.	Advansus	10,000,000	100	--	--	10,000,000	100
02	Advantech Corporate Investment .	--	300,000,000	100	--	--	300,000,000	100
03	Advantech Co. Singapore Pte, Ltd.	ASG	1,450,000	100	--	--	1,450,000	100
04	Advantech Japan Co., Ltd.	AJP	1,200	100	--	--	1,200	100
05	Advantech Australia Pty Ltd.	AAU	500,204	100	--	--	500,204	100
06	Advantech Co.,Malaysia Sdn. Bhd	AMY	2,000,000	100	--	--	2,000,000	100
07	Advantech Europe Holding B.V.	AEUH	25,961,250	100	--	--	25,961,250	100
08	Advantech Technology Co., Ltd.	ATC	33,850,000	100	--	--	33,850,000	100
09	Advantech Automation Corp.	AAC(BVI)	74,623,834	100	--	--	74,623,834	100
10	Advantech Europe B.V.	AEU	--	--	32,315,215	100	32,315,215	100
11	Advantech Poland Sp z.o.o	APL	--	--	6,350	100	6,350	100
12	Advantech Technology (China) Company., Ltd.	AKMC	--	--	--	100	--	100
13	Advantech Corporation	ANA	--	--	10,952,606	100	10,952,606	100
14	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd.	ACN	--	--	--	100	--	100
15	HK Advantech Technology Co., Limited	ATC(HK)	--	--	57,890,679	100	57,890,679	100
16	Advantech Automation Corp.(HK) Limited	AAC(HK)	--	--	15,230,001	100	15,230,001	100
17	Shanghai Advantech Intelligent Services Co., Ltd.	AiSC	--	--	--	100	--	100
18	Xi'An Advantech Software Co., Ltd.	AXA	--	--	--	100	--	100
19	Advantech Brazil Ltda.	ABR	1,794,996	80	--	--	1,794,996	80
20	Advantech Intelligent Service.	AiST	10,000,000	100	--	--	10,000,000	100
21	Advantech KR Co., Ltd.	AKR	600,000	100	--	--	600,000	100
22	Advantech Service IoTGmbH	A-SIoT	--	--	1	100	1	100
23	Cermate Technology Inc.	Cermate	--	--	5,500,000	55	5,500,000	55
24	Advantech Corporation (Thailand) Co., Ltd.	ATH	51,000	51	49,000	49	100,000	100
25	LandMark Co.,Ltd.	LandMark	--	--	972,284	100	972,284	100
26	Cermate Technologies (Shanghai) Inc.	Cermate Shanghai	--	--	--	100	--	100
27	Shenzhen Cermate Technologies Inc.	Cermate Shenzhen	--	--	--	90	--	90

Item	Investment Business	Abbreviation	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/ Managers		Total Ownership	
			Shares	(%)	Shares	(%)	Shares	(%)
28	Advantech International PT.	AID	--	--	300,000	100	300,000	100
29	Advantech Industrial Computing India Pvt. Ltd.	AIN	3,999,999	99.99	1	0.01	4,000,000	100
30	Advantech Electronics, S.De R.L.De C.	AMX	--	--	--	--	--	--
31	AdvanPOS Technology Co., Ltd.	AdvanPOS	1,000,000	100	--	--	1,000,000	100
32	LNC Technology Co.,Ltd.	LNC	19,230,000	64.10	--	--	19,230,000	64.10
33	Better Auto Holdings Limited	--	--	--	7,900,000	100	7,900,000	100
34	Famous Now Limited	--	--	--	1	100	1	100
35	LNC DONG GUAN CO., LTD	-	--	--	--	100	--	100
36	Advantech Innovative Design Co., Ltd.	Advantech Innovative Design	1,000,000	100	--	--	1,000,000	100
37	B+B SmartWorx Inc.	B+B	230,467	60	153,644	40	384,111	100
38	B+B SmartWorx Limited	BBI	--	--	--	100	--	100
39	Advantech B+B SmartWorx s.r.o.CZ	ACZ	--	--	--	100	--	100
40	Advantech Technology DMCC.	ADB	--	--	--	100	--	100
41	Kostec co.,Ltd.	AKST	69,740	76	22,023	24	91,763	100
42	Limited Liability Company Advantech Technology	ARU	500,000	100	--	--	500,000	100
43	Advantech Vietnam Technology Company Limited	AVN	1	60	--	--	1	60
44	YUN YAN,WU-LIAN Co., Ltd.	YUN YAN	--	--	500,000	50	500,000	50
45	HUAN YAN,JHIH-LIAN Co., Ltd.	HUAN YAN	--	--	500,000	50	500,000	50
46	Advantech Service-IoT Co. Ltd.	SIoT (Cayman)	--	--	30,000,000	100	30,000,000	100
47	ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SIoT(China))	SIoT(China)	--	--	--	100	--	100
48	Advantech Technologies Japan Corp.	ATJ	500,000	50	286,100	28.61	786,100	78.61
49	Advantech Turkey Teknoloji A.S.	ATR	260,870	60	--	--	260,870	60
50	ADVANTECH IOT ISRAEL LTD	AIL	100	100	--	--	100	100
51	Advantech Intelligent Healehcare Co.,Ltd.	AIH	--	--	770,000	70	770,000	70
52	ACI IOT Investment Fund-I Corporation	ACI IOT	--	--	23,800,000	79.3	23,800,000	79.3
53	Advantech Corporate Investment Ltd.	ACI	--	--	1	100	1	100

IV. Capital Overview

4.1 Capital and shares

4.1.1 Sources of capital

Unit: Thousand shares; NT$ Thousand

Month / year	Par Value (NT$)	Authorized capital		Paid-in capital		Remark			
		Shares	Amount	Shares	Amount	Source of capital		Capital Increased by Assets Other than Cash	Others
07.1997	10	100,000	1,000,000	47,500	475,000	Capitalization by cash	171,000	None	Note 1
						Capitalization by earnings	114,000		
06.1998	10	100,000	1,000,000	80,750	807,500	Capitalization by cash	95,000	None	Note 2
						Capitalization by earnings	237,500		
06.1999	10	200,000	2,000,000	130,700	1,307,000	Capitalization by earnings	499,500	None	Note 3
05.2000	10	298,000	2,980,000	174,500	1,745,000	Capitalization by earnings	438,000	None	Note 4
08.2001	10	298,000	2,980,000	233,200	2,332,000	Capitalization by earnings	587,000	None	Note 5
12.2001	10	298,000	2,980,000	233,429	2,334,294	Conversion of convertible bond	2,294	None	
02.2002	10	298,000	2,980,000	233,486	2,334,865	Conversion of convertible bond	571	None	
06.2002	10	500,000	5,000,000	285,513	2,855,130	Capitalization by earnings	520,135	None	Note 6
						Conversion of convertible bond	130		
12.2002	10	500,000	5,000,000	285,529	2,855,292	Conversion of convertible bond	162	None	
02.2003	10	500,000	5,000,000	286,242	2,862,423	Conversion of convertible bond	7,131	None	
04.2003	10	500,000	5,000,000	292,846	2,928,462	Capitalization	66,039	Note 9	Note 7
06.2003	10	500,000	5,000,000	341,304	3,413,039	Capitalization by earnings	484,577	None	Note 8
03.2004	10	500,000	5,000,000	337,728	3,377,279	Cancellation of Treasury Stock	(38,620)	None	
						Conversion of convertible bond	2,860		
06.2004	10	500,000	5,000,000	362,862	3,628,617	Capitalization by earnings	223,864	None	Note 10
						Conversion of convertible bond	27,474		
09.2004	10	500,000	5,000,000	369,230	3,692,299	Conversion of convertible bond	63,682	None	
12.2004	10	500,000	5,000,000	374,296	3,742,812	Conversion of convertible bond	50,513	None	
03.2005	10	500,000	5,000,000	374,767	3,747,672	Conversion of convertible bond	4,860	None	
06.2005	10	500,000	5,000,000	401,683	4,016,833	Capitalization by earnings	237,384	None	Note 11
						Conversion of convertible bond	31,777		
09.2005	10	500,000	5,000,000	403,889	4,038,893	Conversion of convertible bond	22,060	None	
12.2005	10	500,000	5,000,000	448,783	4,487,826	Exchange of shares	448,933	None	Note 12

Month / Year	Par Value (NT$)	Authorized capital		Paid-in capital		Remark			
		Shares	Amount	Shares	Amount	Source of capital		Capital Increased by Assets Other than Cash	Others
01.2006	10	500,000	5,000,000	448,900	4,489,003	Conversion of convertible bond	477	None	
						Conversion of stock option	700		
04.2006	10	500,000	5,000,000	448,960	4,489,603	Conversion of stock option	600	None	
07.2006	10	500,000	5,000,000	463,180	4,631,795	Capitalization by earnings	139,792	None	Note 13
						Conversion of convertible bond	2,100		
						Conversion of stock option	300		
09.2006	10	500,000	5,000,000	463,365	4,633,645	Conversion of stock option	1,850	None	
12.2006	10	500,000	5,000,000	463,630	4,636,295	Conversion of stock option	2,650	None	
03.2007	10	500,000	5,000,000	463,665	4,636,645	Conversion of stock option	350	None	
07.2007	10	600,000	6,000,000	490,847	4,908,470	Capitalization by earnings	271,825	None	Note 14
09.2007	10	600,000	6,000,000	491,227	4,912,270	Conversion of stock option	3,800	None	
12.2007	10	600,000	6,000,000	491,577	4,915,770	Conversion of stock option	3,500	None	
04.2008	10	600,000	6,000,000	491,877	4,918,770	Conversion of stock option	3,000	None	
07.2008	10	600,000	6,000,000	481,877	4,818,770	Cancellation of Treasury Stock	(100,000)	None	Note 15
07.2008	10	600,000	6,000,000	481,962	4,819,620	Conversion of stock option	850	None	
08.2008	10	600,000	6,000,000	511,330	5,113,308	Capitalization by earnings	293,688	None	Note 16
10.2008	10	600,000	6,000,000	511,346	5,113,458	Conversion of stock option	150	None	
04.2009	10	600,000	6,000,000	511,366	5,113,658	Conversion of stock option	200	None	
07.2009	10	600,000	6,000,000	511,386	5,113,858	Conversion of stock option	200	None	
08.2009	10	600,000	6,000,000	516,009	5,160,087	Capitalization by earnings	46,229	None	Note 17
10.2009	10	600,000	6,000,000	516,134	5,161,337	Conversion of stock option	1,250	None	
11.2010	10	600,000	6,000,000	501,634	5,016,337	Cancellation of Treasury Stock	(145,000)	None	Note 18
08.2011	10	600,000	6,000,000	551,797	5,517,971	Capitalization by paid-in capital	501,634	None	Note 19
01.2012	10	600,000	6,000,000	552,996	5,529,961	Conversion of stock option	11,990	None	Note 20
04.2012	10	600,000	6,000,000	553,832	5,538,321	Conversion of stock option	8,360	None	Note 21
10.2012	10	600,000	6,000,000	560,893	5,608,937	Conversion of stock option	70,616	None	Note 22
01.2013	10	600,000	6,000,000	563,997	5,639,970	Conversion of stock option	31,033	None	Note 23
05.2013	10	600,000	6,000,000	565,205	5,652,050	Conversion of stock option	12,080	None	Note 24
08.2013	10	600,000	6,000,000	565,627	5,656,270	Conversion of stock option	4,220	None	Note 25
10.2013	10	600,000	6,000,000	566,924	5,669,248	Conversion of stock option	12,978	None	Note 26
02.2014	10	600,000	6,000,000	569,400	5,694,000	Conversion of stock option	24,752	None	Not e27
05.2014	10	600,000	6,000,000	571,451	5,714,511	Conversion of stock option	20,511	None	Note 28
07.2014	10	600,000	6,000,000	571,762	5,717,621	Conversion of stock option	3,110	None	Note 29
09.2014	10	800,000	8,000,000	628,702	6,287,021	Capitalization by earnings	569,400	None	Note 30
11.2014	10	800,000	8,000,000	630,103	6,301,031	Conversion of stock option	14,010	None	Note 31
02.2015	10	800,000	8,000,000	631,209	6,312,091	Conversion of stock option	11,060	None	Note 32
04.2015	10	800,000	8,000,000	631,518	6,315,186	Conversion of stock option	3,095	None	Note 33
06.2015	10	800,000	8,000,000	631,853	6,318,531	Conversion of stock option	3,345	None	Note 34
10.2016	10	800,000	8,000,000	632,609	6,326,091	Conversion of stock option	756	None	Note 35

01.2017	10	800,000	8,000,000	633,074	6,330,741	Conversion of stock option	465	None	Note 36
04.2017	10	800,000	8,000,000	633,254	6,332,541	Conversion of stock option	180	None	Note 37
07.2017	10	800,000	8,000,000	696,611	6,966,115	Capitalization by earnings	63,357	None	Note 38
11.2017	10	800,000	8,000,000	697,032	6,970,325	Conversion of stock option	421	None	Note 39
03.2018	10	800,000	8,000,000	697,282	6,972,825	Conversion of stock option	250	None	Note 40
05.2018	10	800,000	8,000,000	697,457	6,974,575	Conversion of stock option	175	None	Note 41
08.2018	10	800,000	8,000,000	697,544	6,975,445	Conversion of stock option	87	None	Note 42
11.2018	10	800,000	8,000,000	698,227	6,982,275	Conversion of stock option	683	None	Note 43
03.2019	10	800,000	8,000,000	698,695	6,986,955	Conversion of stock option	468	None	Note 44
05.2019	10	800,000	8,000,000	699,075	6,990,755	Conversion of stock option	380	None	Note 45
08.2019	10	800,000	8,000,000	699,140	6,991,405	Conversion of stock option	65	None	Note 46
11.2019	10	800,000	8,000,000	699,923	6,999,230	Conversion of stock option	783	None	Note 47
03.2020	10	800,000	8,000,000	700,410	7,004,100	Conversion of stock option	487	None	Note 48

Note 1: (86) Tai.Chai.Chen (I) No. 42710 Letter dated May 28, 1997
Note 2: (87) Tai.Chai.Chen (I) No. 47165 Letter dated May 29, 1998
Note 3: (88) Tai.Chai.Chen (I) No. 44698 Letter dated May 17, 1999
Note 4: (89) Tai.Chai.Chen (I)) No. 42068 Letter dated May 16, 2000
Note 5: (90) Tai.Chai.Chen (I) No. 131759 Letter dated May 22, 2001
Note 6: Tai.Chai.Chen.I.Tzi No. 0910131630 Letter dated June 11, 2002
Note 7: Tai.Chai.Chen.I.Tzi No. 0920111609 Letter dated April 16, 2003
Note 8: Tai.Chai.Chen.I.Tzi No. 0920128945 Letter dated June 30, 2003
Note 9: Issued new stock shares to exchange for the common stock shares of AXIOMTEK.
Note 10: Tai.Chai.Chen.I.Tzi No. 0930126256 Letter dated June 14, 2004
Note 11: FSC.S.I.Tzi No. 0940124309 Letter dated June 17, 2005
Note 12: FSC.S.I.Tzi No. 0940006036 Letter dated December 22, 2005
Note 13: FSC.S.I.Tzi No. 0950130113 Letter dated July 12, 2006
Note 14: FSC.S.I.Tzi No. 0960035881 Letter dated July 13, 2007
Note 15: MOEA.So.Sun.Tzi No. 09701161800 Letter dated July 4, 2008
Note 16: FSC.S.I.Tzi No. 0970034562 Letter dated July 10, 2008
Note 17: FSC.S.Far.Tzi No. 0980027007 Letter dated June 3, 2009
Note 18: MOEA.So.Sun.Tzi No. 09901265490 Letter dated November 26, 2010
Note 19: MOEA.So.Sun.Tzi No. 10001174140 Letter dated August 1, 2011
Note 20: MOEA.So.Sun.Tzi No. 10101008150 Letter dated January 13, 2012
Note 21: MOEA.So.Sun.Tzi No. 10101074290 Letter dated April 27, 2012
Note 22: MOEA.So.Sun.Tzi No. 10101215000 Letter dated October 17, 2012
Note 23: MOEA.So.Sun.Tzi No. 10201009210 Letter dated January 15, 2013
Note 24: MOEA.So.Sun.Tzi No. 10201077320 Letter dated May 1, 2013
Note 25: MOEA.So.Sun.Tzi No. 10201153720 Letter dated August 1, 2013
Note 26: MOEA.So.Sun.Tzi No. 10201219700 Letter dated October 29, 2013
Note 27: MOEA.So.Sun.Tzi No. 10301021080 Letter dated February 11, 2014
Note 28: MOEA.So.Sun.Tzi No. 10301077560 Letter dated May 1, 2014
Note 29: MOEA.So.Sun.Tzi No. 10301150080 Letter dated July 28, 2014
Note 30: MOEA.So.Sun.Tzi No. 10301198730 Letter dated September 23, 2014
Note 31: MOEA.So.Sun.Tzi No. 10301225080 Letter dated November 3, 2014
Note 32: MOEA.So.Sun.Tzi No. 10401013670 Letter dated February 4, 2015
Note 33: MOEA.So.Sun.Tzi No. 10401076830 Letter dated April 27, 2015
Note 34: MOEA.So.Sun.Tzi No. 10401159550 Letter dated July 29, 2015
Note 35: MOEA.So.Sun.Tzi No. 10501245810 Letter dated October 18, 2016
Note 36: MOEA.So.Sun.Tzi No. 10601005570 Letter dated January 16, 2017
Note 37: MOEA.So.Sun.Tzi No. 10601046990 Letter dated April 12, 2017
Note 38: MOEA.So.Sun.Tzi No. 10601104750 Letter dated Julyl 21, 2017
Note 39: MOEA.So.Sun.Tzi No. 10601155330 Letter dated November 15, 2017
Note 40: MOEA.So.Sun.Tzi No. 10701027200 Letter dated March 22, 2018
Note 41: MOEA.So.Sun.Tzi No. 10701051810 Letter dated May 22, 2018
Note 42: MOEA.So.Sun.Tzi No. 10701100250 Letter dated August 13, 2018
Note 43: MOEA.So.Sun.Tzi No. 10701140180 Letter dated November 21, 2018

Note 44: MOEA.So.Sun.Tzi No. 10801031320 Letter dated March 28, 2019
Note 45: MOEA.So.Sun.Tzi No. 10801057110 Letter dated May 20, 2019
Note 46: MOEA.So.Sun.Tzi No. 10801113420 Letter dated August 28, 2019
Note 47: MOEA.So.Sun.Tzi No. 10801164360 Letter dated November 19, 2019
Note 48: MOEA.So.Sun.Tzi No. 10901046780 Letter dated April 8, 2020

Share Type	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Order common stock	700,870,010	99,129,990	800,000,000	Authorized capital stock, of which, 50,000 thousand shares are reserved for exercising stock options.

Note: It is the number of shares of the listed stock as of March 30, 2020.

Information of shelf registration: NA

4.1.2 Shareholder structure:

March 30, 2020 (Ex-transfer date)

Structure of Shareholder / QTY	Government institutions	Financial institutions	Other juristic person	Natural person	Foreign institution & foreigners	Total
Number of persons	2	64	70	8,693	907	9,736
Shareholding	2,008	11,060,793	333,947,234	72,798,361	283,061,614	700,870,010
Shareholding ratio	0	1.58%	47.65%	10.38%	40.39%	100%

4.1.3 Status of Ownership Dispersion:

NT$10 Par
March 30, 2020 (Ex-transfer date)

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio
1 ~ 999	5,220	915,051	0.13%
1,000 ~ 5,000	2,967	5,858,094	0.84%
5,001 ~ 10,000	468	3,378,359	0.48%
10,001 ~ 15,000	173	2,181,654	0.31%
15,001 ~ 20,000	99	1,745,636	0.25%
20,001 ~ 30,000	118	2,951,994	0.42%
30,001 ~ 40,000	77	2,714,130	0.39%
40,001 ~ 50,000	74	3,305,067	0.47%
50,001 ~ 100,000	159	11,296,546	1.61%
100,001 ~ 200,000	125	17,730,111	2.53%
200,001 ~ 400,000	99	27,381,115	3.91%
400,001 ~ 600,000	36	17,680,624	2.52%
600,001 ~ 800,000	29	19,871,447	2.84%
800,001 ~ 1,000,000	18	15,787,496	2.25%
1,000,001 or over	74	568,072,686	81.05%
Total	9,736	700,870,010	100%

Note: The Company does not have preferred stock shares issued.

4.1.4 List of major shareholders:

March 30, 2020 (Ex-transfer date) Unit: Shares

Shares / Name of major shareholders	Shareholding	Shareholding ratio
ASUSTEK COMPUTER Inc	100,628,870	14.35%
K and M Investment Co., Ltd.	83,073,163	11.85%
AIDC Investment Co., Ltd.	82,097,182	11.71%
K.C. Liu	25,620,886	3.66%
HSBC commissioned to manage Yuan-Wang Partner Fund Limited Partnership account	21,988,359	3.14%
Tran-Fei Development Co., Ltd.	20,431,916	2.92%
Advantech Foundation	20,288,715	2.89%
First State Investments ICVC - Stewart investors Asia Pacific Leaders Fund	19,029,000	2.72%
Yong-Shun Zhuang	15,921,725	2.27%
First State Global Umbrella Public Limited Company - First State Asian Equity Plus Fund	9,095,208	1.3%

4.1.5 Market price, net worth, earnings, and dividends of per share within 2 years:

Unit: NT$

Item			2018	2019	As of March 31, 2020
Market price per share	Max.		239	320	302
	Min.		186.5	210	219
	Average		211.99	264.31	257.72
Net worth per share	Before distribution		41.94	46.02	40.18
	After distribution		35.13	Note 4	-
Earnings per share	Weighted average shares		697,744,259	699,306,176	700,573,010
	Earnings per share	Before adjustment	9.01	10.51	1.85 (Note 5)
		After adjustment	9.01	Note 4	-
Dividend per share	Cash dividend		6.8	7.8	-
	Stock dividend	Stock Dividend from Retained earnings	-	1	-
		Stock Dividend from additional paid-in capital	-	-	-
	Cumulative un-paid dividend		-	-	-
Return on investment analysis	Price / Earnings Ratio (Note 1)		23.50	25.15	-
	Price / Dividend Ratio (Note 2)		31.18	33.88	-
	Cash Dividend Yield Rate (Note 3)		3.21	2.95	-

Note 1: Price-Earning (PE) ratio = Annual average closing price per share / Earnings per share

Note 2: Price-Dividend ratio = Annual average closing price per share / Cash dividend per share

Note 3: Cash Dividend Yield = Cash dividend per share / Annual average closing price per share

Note 4: The proposal for the 2019 earnings distribution has not yet been resolved in the shareholders' meeting.

Note 5: The audited financial data as of 2020Q1 are presented.

4.1.6 Dividend Policy and Execution Status:

A. Advantech's existing rules concerning dividend policy are as follows:

The Advantech's dividend policies are established by the Board of Directors according to the operation, the capital demand, the capital expenditure, the entire environmental change as well as the rights and interests of shareholders. In no special circumstances, the distribution ratio is based on 50%~65% of distributive profit in the same year. Based on cash and stock dividends, the distribution of stock dividend is limited to not higher than 75% of total dividend.

The amounts of NT$5,463,198,078 and (cash dividends)andNT$700,410,010(share dividends) out of the 2019 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively.

B. The proposal for dividend distribution is to be resolved in this Shareholders' Meeting:

The dividend (cash dividend) to shareholder for an amount of NT$5,463,198,078 and (cash dividends) andNT$700,410,010(share dividends) out of the 2019 earnings are appropriated or distribution as cash dividends and share dividends to shareholders, respectively.Once the proposal is resolved in the shareholders' meeting, the board of directors will be authorized to have the distribution base date scheduled. The dividend distribution is calculated in accordance with the shareholding of the respective shareholder booked in the Shareholder Registry on the scheduled base date. There were 700,410,010 shares of common stock outstanding on December 31, 2019 that are entitled to the distribution of shareholder's dividend at NT$8.8 per share.

Subsequently, for any changes in the distribution ratio due to the change of law and regulations, the change in the authorization of the competent authorities, or the change in the outstanding shares, the shareholders' meeting is to have the board of directors authorized to have the dividend per share adjusted in accordance with the number of outstanding shares.

C.Any expected major changes in the dividend policy: None

4.1.7 The impact of the distribution of stock dividend as proposed in this Shareholders Meeting on the Company's operation performance and earnings per share:

The distribution of stock dividend was not proposed in the 2020 shareholders' meeting; also, the Company is not required to publish the 2019 financial forecast in accordance with the provisions; therefore, no need to disclose the annual forecast information.

4.1.8 Employee Compensation and Remuneration to Directors and Supervisors:

1. Corporate Charter -Article 20:
The company's annual profits, if any, should not be less than 5% appropriated as bonus to employees; also, it is to be resolved in the board meeting with stock dividend or cash distributed to employees, including employees of the subsidiaries that meet certain conditions. The Company's Board of Directors may determine to appropriate an amount less than 1% of the profits referred to above as remuneration to directors and supervisors. The proposed bonus to employees and remuneration to directors and supervisors should be presented in the shareholders' meeting for a resolution. If the company is with accumulated losses, an amount for making up the losses should be reserved in advance before appropriating bonus to employees and remuneration to directors and supervisors according to the ratio referred to above.
On March 6, 2020, the Board of Advantech approved that the payment of employees' cash compensation for the year 2019 shall be made in compliance with a fixed ratio of annual profits, and that the payment of directors' compensation shall calculated based on the expected the calculated amount with accounting records. and the current-year distributable amount. In case of discrepancy between the preceding calculated amount and the actual amount distributed, it shall be corrected according to the accountant's calculation and the accounting record shall be adjusted for the year of distribution.

2.The estimation base for the distribution of employee Compensation and remuneration to directors and supervisor, the calculation base of the outstanding shares for the distribution of stock dividend,and the accounting process for the differences between the actual amount distributed and the estimated amount:
For the earnings distribution resolved in the shareholders' meeting, if the amount of the employee Compensation and remuneration to directors and supervisors is changed, the amount of difference should be handled in accordance with changes in accounting estimates and booked in the profit and loss of the following year without affecting the financial report that had already been acknowledged.

3.Information about the proposed distribution of employee bonus as approved by the Board of Director:

(1) On March 6, 2020, according to the revised charter based on the resolution, the company will disburse annual profit sharing:
Employee bonuses：NT$600,000,000.
Remuneration to directors and supervisors：NT$12,000,000.
Payments will be made in cash. The above amounts accurately reflect 2019 expenses already accounted for.

(2) The ratio of the proposed distribution of employee stock dividend payments to the total amount of the net income and employee bonus on the proprietary or individual financial statements: NA

4. The distribution of the 2018 earnings as employee bonus and remuneration to directors and supervisors:

(1)The distribution of the annual employee bonus and remuneration to directors and supervisors is as follows:
Employees Cash dividend: NT$452,355,000
Remuneration to directors and supervisors: NT$10,600,000

(2)If the amount referred to above differs from the employee bonus and remuneration to directors and supervisors recognized, please state the number of differences, causes of differences, and the treatment scenarios: None

4.1.9 Situations of the Company's buy back stocks: None

4.2 Corporate bond:NA.

4.3 Preferred Stock issued: NA

4.4 Global depositary receipts issued: NA

4.4.1 Employee Stock Options issued

The Company's outstanding employee stock options and its impact on shareholders' equity up to the publication of the annual report:

March 30,2020

Types of employee stock option certificate	2014 Employ stock option	2016 Employ stock option	2018 Employ stock option
The effective date of declaration	July 29, 2014	June 17, 2016	June 14, 2018
Issuing date	August 12, 2014	August 12, 2016	July 27, 2018
The number of units issued	5,000 units	6,500 units	8,000 units
Ratio of the number of shares available for subscription to the total number of shares issued	0.72%	0.93%	1.14%
Duration of subscription	8/12/2016 ~ 8/11/2020	8/12/2018 ~ 8/11/2022	7/27/2020 ~ 7/26/2024
Method of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restrictive subscription period and ratio (%)	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and100% after 5 years	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and100% after 5 years	40% of the granted stock option certificate is exercisable after 2 years, 50% after 3 years, 100%
Number of shares subscribed	4,061,000	1,648,500	0
Amount of shares subscribed	90,808,700	86,869,450	0
Number of shares yet to be subscribed	939,000 股	4,851,500 股	8,000,000 股
Subscription price per share for the unsubscribed shares	79.4	83.3	197.2
Ratio of the unsubscribed shares to the total number of shares issued (%)	0.13%	0.69%	1.14%
Impact on shareholders' equity	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.72% of the number of shares issued, which will not have significant impact on shareholders' equity.	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.93% of the number of shares issued, which will not have significant impact on shareholders' equity.	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 1.14% of the number of shares issued, which will not have significant impact on shareholders' equity.

4.4.2 Name of the managers with employee stock option certificates obtained, the top-10 employees with stock option certificates obtained, the respective acquisition and subscription:

March 30, 2020

Units: Except for stock subscription price in NTD, NT$ Thousand

	Title	Name		Number of shares acquired	Ratio of subscribed shares to total number of shares issued	Subscribed				Unsubscribed			
						Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued	Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued
Management	Executive Board Director	Chaney Ho	2014 employee stock option certificate	580,000	0.08	496,000	79.4	39,382	0.07	84,000	79.4	6,670	0.01
	President	Eric Chen											
	President	Miller Chang											
	President	Linda Tsai											
	Vice President	Deyu Yin											
	President	Eric Chen	2016 employee stock option certificate	430,000	0.06	158,000	83.3	13,161	0.02	272,000	83.3	22,657	0.04
	President	Miller Chang											
	President	Linda Tsai											
	Vice President	Deyu Yin											
	President	Eric Chen	2018 employee stock option certificate	1,400,000	0.20	-	-	-	-	1,400,000	197.2	276,080	0.2
	President	Miller Chang											
	President	Linda Tsai											
Employees	Ttop-10 employee		2014 employee stock option certificate	325,000	0.05	300,000	79.4	23,820	0.04	25,000	79.4	1,985	0.03
	Ttop-10 employee		2016 employee stock option certificate	250,000	0.04	71,000	83.3	5,914	0.01	179,000	83.3	14,910	0.03
	Ttop-10 employee		2018 employee stock option certificate	1,450,000	0.21	-	-	-	-	1,450,000	197.2	285,940	0.21

4.4.3 Restricted Employee Shares: NA

4.4.4 Issuance of new shares for the shares acquired or transferred from other companies: NA

4.4.5 Implementation of fund plan: NA

V. HIGHTLIGHTS OF OPERATIONS

5.1 Business Content

5.1.1 Business Scope

A. Major business operation of the Company:

(1) The design, assembly, combination, production, and trade of computer testing equipment and automated test systems;
(2) The processing, manufacturing, and importing/exporting (except for the restricted items) of computers, electronics, and electrical components and devices;
(3) The design, contracting, installation, and maintenance of computers and electronic control automation systems;
(4) Computer software design;
(5) Handling the agency, quotes, bidding, and sales of the products referred to above on behalf of the domestic and foreign manufacturers;
(6) The assembly, manufacturing, trade, and importing/exporting business of the wired and wireless communications equipment;

B. Major products and business ratio of the Company:

Unit: NT$ Thousand

Ratio / Major product	2019	
	Sales Amount	%
Embedded boards and Chassis	26,275,929	49
Industrial computer and industrial control	21,776,158	40
After-sales service and others	6,092,575	11
Total	54,144,662	100

C.The Company's currently offered products: Embedded board and case, industrial computer, and others.

D. New product development plan of the Company:

(1) Wireless IoT Gateway
(2) Protocol Conversion
(3) AI Computing Platform
(4) Deep Learning based AOI (Automated Optical Inspection)
(5) WISE-PaaS, a cloud data platform for industrial applications
(6) Solution Ready Platforms for Industry 4.0 and Intelligent Factory
(7) Solution Ready Platforms for Energy and Environment
(8) Solution Ready Platforms for Intelligent Retail
(9) Solution Ready Platforms for Intelligent Hospital

5.1.2 Industry Summary

A. Industry status and development

In early stage, Industrial PC (IPC) was mainly applied on the manufacturing process, instrument and the control and monitoring, testing of machine & equipment. The form-factor was restricted to industrial automated board system and the main application is automation system. In past few years, due to the rise of integrated solution of communication, internet, software and optical technology, IPC started to penetrate into more application markets, including MRT reader, vending machine, ATM, POS, game, network storage (NAS), Digital Signage, smart building automation monitoring systems and environmental monitoring systems, and lottery ticket computers. The overall targeting markets spread out from original "industrial" specialized to "intelligent" specialized. According to IHS, the global IPC market size reached US$3.9bn in

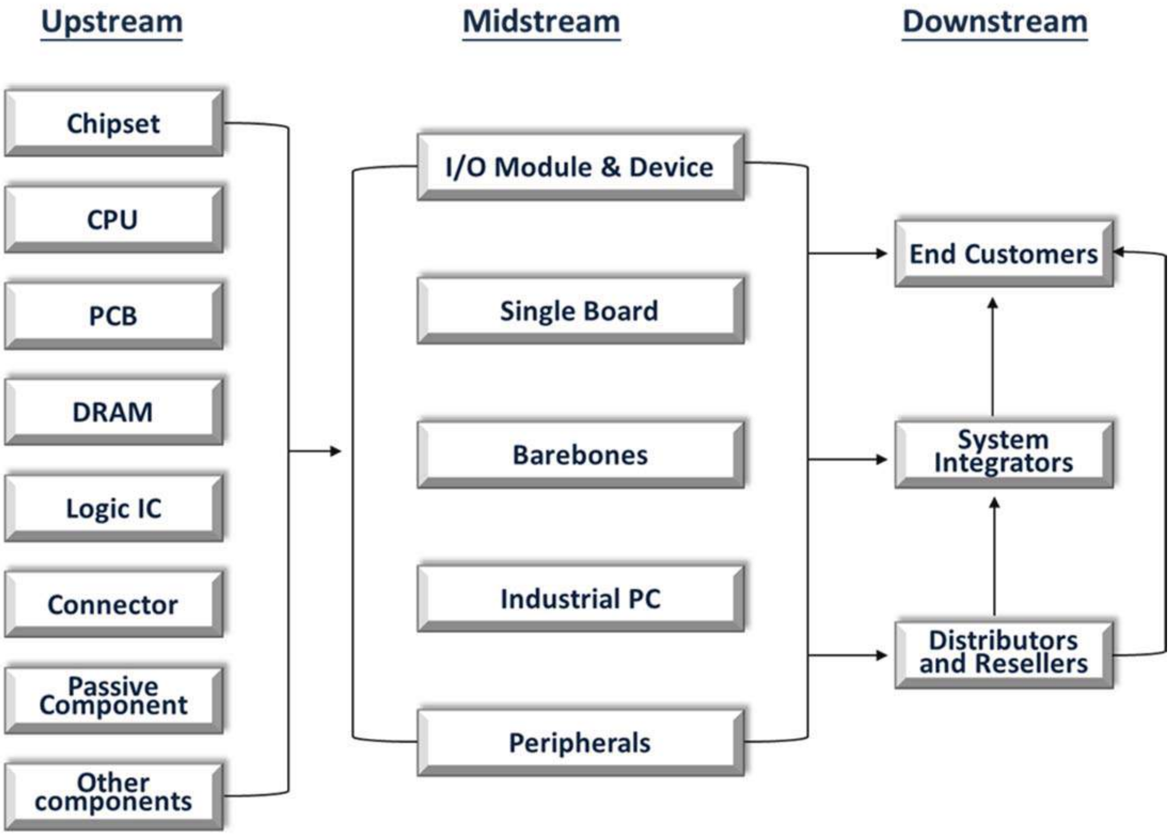
2018 with 11% YoY growth. Compared with PC and smartphone market, IPC is a niche market segment with more stable and moderate growth.

Source: HIS

However, benefiting from the rise of intelligent system and internet of things (IoT), industrial PC and embedded system is gradually transformed to a key element of the infrastructure in IoT ecosystem. The market consensus views that IoT will dominate the technology transition, transform the competition landscape and change human being's life style in coming 10~15 years. However, each end application market has its owned specialized characteristics and preference, which will result in a more-complicated ecosystem and form-factor design. According to IDC and Gartner, IoT market is expected to create 15~20% CAGR in 10~15 years.

B. The supply chain in upstream, midstream and downstream

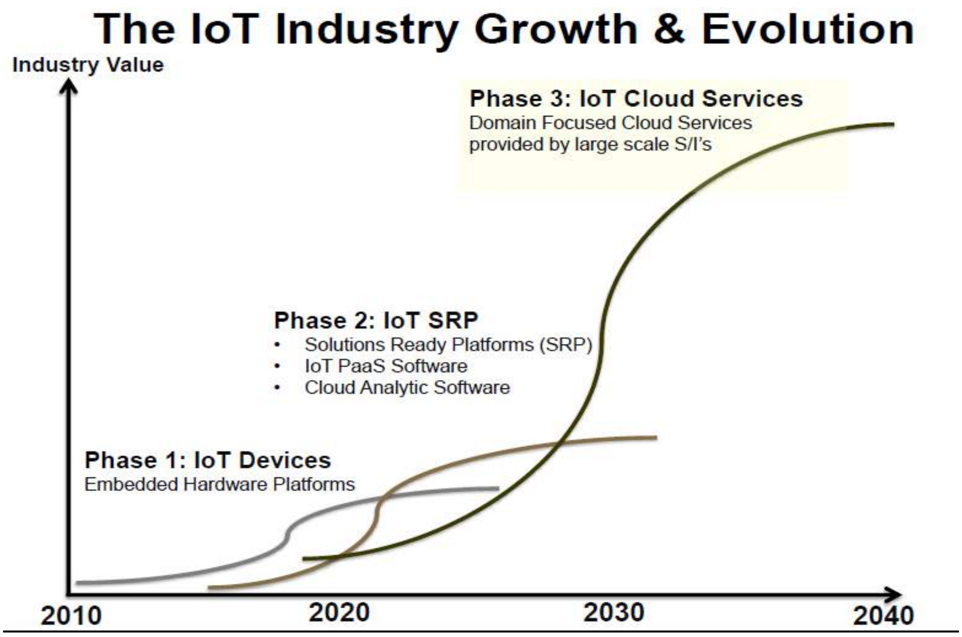
The supply chain of industrial PC and embedded systems



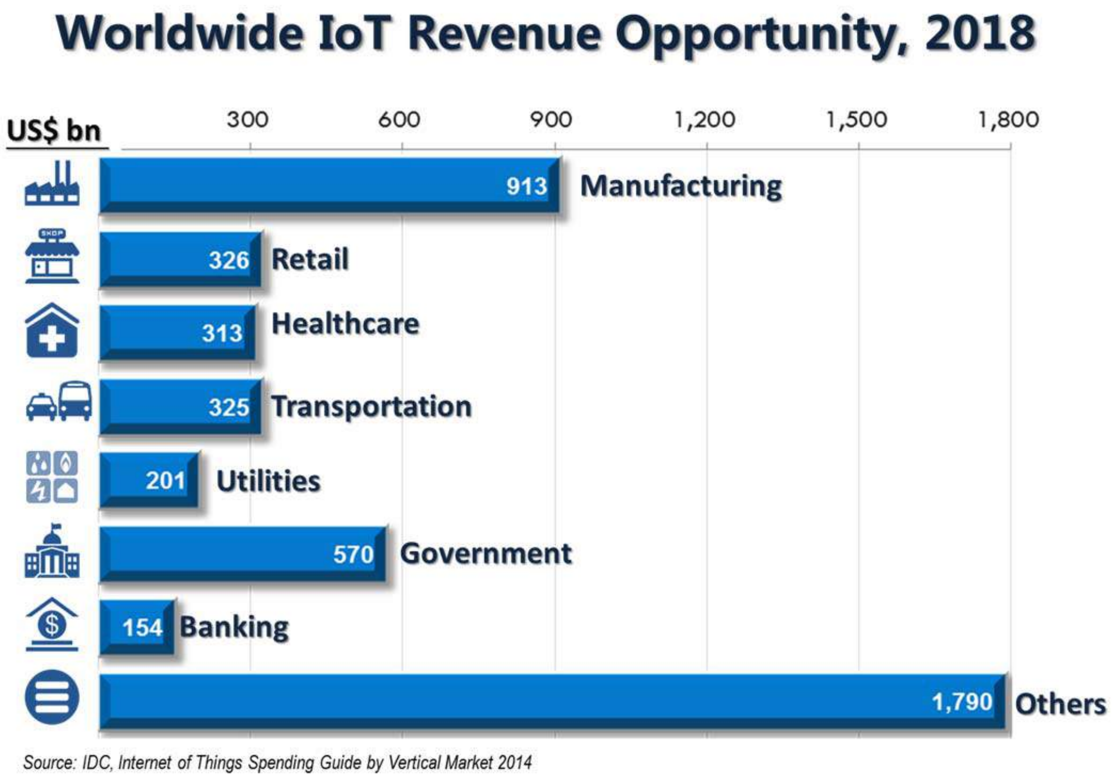
Simply speaking, IoT is formed by three layers of architecture, including “instrumentation”, “connectivity” and ‘intelligent computing” (please refer to below chart). The key players in the first layer-instrumentation- are Advantech, Delta, ABB, GE and etc. The key players in the second layer-connectivity- are AT& T, Cisco, Nokia, Alctel and etc, which are responsible to transcode the data up to the cloud. The third layer is intelligent computing and the key players are IBM, Microsoft, Amazon and Google. They also cooperate with software vendors to provide data analytics service to the end customers. As the result, the ecosystem of IoT is not the traditional linear supply chain competition but more relies on the cooperation between different specialized vendors.

C. The industry development

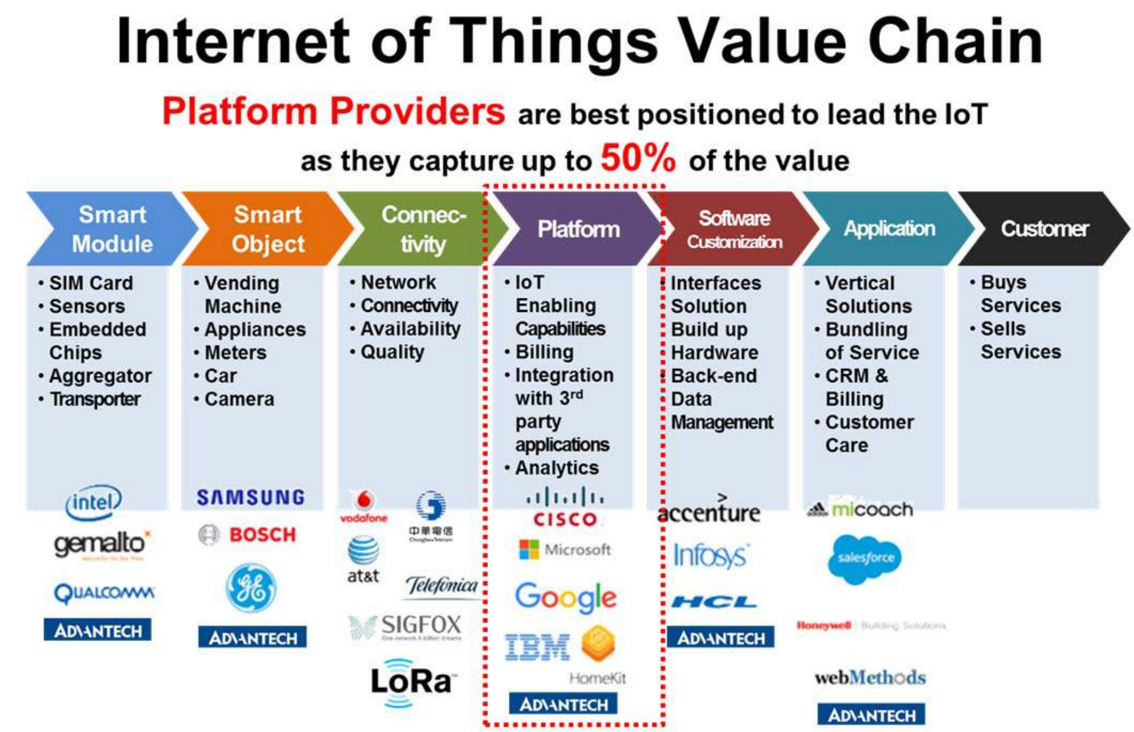
According to the report "The Internet of Things: Mapping the Value beyond the Hype", published by McKinsey in 2015, there are three wave of growing stage of IoT (see the figure below). The first wave happened in 2010 and will get matured in 2020 and the major beneficiaries are IoT device makers, like fabless houses and certain hardware providers (like smartphone makers and smart wearable device makers). The second wave happened in 2015-16 and will accelerate the growth sentiment during 2019-20. The second wave will get matured in 2025 and entered into the third wave of IoT growth. The major beneficiaries in 2nd wave are hardware and software integrated solution providers. We might see accelerating growth sentiment in the 3rd wave starting from 2030 and get matured in 2040. The service providers will be the main beneficiaries, including Alibaba, Google, Amazon and Microsoft. But the biggest value creation will come from the end customers and users due to the new business model, the new technology adoption and more precise big data analytics.



According to IDC forecast, the total revenues created by the IoT ecosystem will reach US$4.6 trillion in 2018. By application markets, manufacturing, government infrastructure, retail, healthcare and transportation will create the biggest opportunities. In addition, the miscellaneous segment will create US$1.8 trillion market value, which is in line with the diversity and complex of IoT market.



A pure hardware provider will face more severe price competition and the cyclical risk if not catching the IoT technology trend and opportunity. IoT will narrow the industry boundary in different layers. For example, GE is the global biggest engine manufacturer in railway and aircraft market. They identify the future growing catalyst will come from "Digitalization". GE Predix now is the most famous industrial data analytic platform, which provide differentiation and tailor-made service to end customers From below figure, we will realize IT companies try very hard to expand their business footprints to upstream and downstream value chain. If we review the M&A activities in 2014-16, the cross-sector cooperation will become the “new normal” in the future.



Source: Mohit Agrawal, Head, Marketing Planning & Channel Marketing, Asia Pacific, Microsoft

5.1.3 Technology and Research & Development

1. The R&D expense incurred in the most recent year and up to the publication of the annual report:

(1) Total R&D expense amounted to NT$4,223,422 in 2019;

(2) Total R&D expense amounted to NT$925,097 in 20209Q1;

2.Successfully developed technology or product

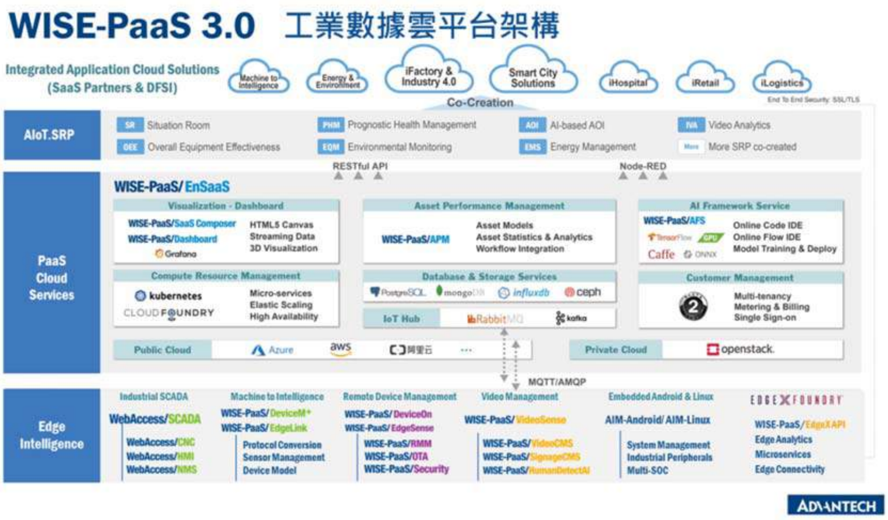
The Company values the importance of R&D. In addition to dedicating massive manpower in product R&D in Taiwan, there are also R&D teams designated in the USA, Europe, and China to accelerate the product development speed and grasp the market development.

The Company has more than four new products launched in every year and with 43 patents acquired domestically or internationally by the end of 2019.

5.1.4 Long-term and short-term business development plan

- Short-term business development
  - Enhance the industry diversity and global sales network to reduce the systematic risk from single industry and country
  - Provide localized and tailor-made service to scale up the leading advantage with peers. In past few years, Advantech had expanded our operation sites in Europe and emerging markets. In 2019, the firm will add new operating sites in Israel and Turkey and also has expansion plan in United States.
  - Strengthen certain market insight to increase the customer partnership.
- Long-term business development
  - Enhance the advantage in R&D and manufacturing
  - Advantech will keep investing in R&D to provide differentiated service to fulfill the diversity request from IoT specialized customer. Given this, Advantech has R&D centers in Taiwan, China, Germany and United States. In addition, Advantech consolidate all the production sites in northern Taiwan to the mega campus in Linkou Taiwan starting from October 2016 to realize the vision of smart manufacturing.
  - Establish the WISE-PaaS Software Platform

    To catching up the 2nd wave of IoT growing opportunity, Advantech aggressively invested in software platform since 2015.In 2015, WISE PaaS focused on resource integration and platform architecture development. In 2016, WISE PaaS identified few successful user cases in EIS(Edge Intelligence Server) and SRP(Solution Ready Platform). In 2017, WISE PaaS transformed the overall service to cloud side to provide a more reliable and speedy intelligent computing platform. In 2018, Advantech successfully commercialized WISE-PaaS and officially launched 34 SRPs at Advantech IoT Summit in Suzhou in China in November. In 2019-2021, Advantech targets to achieve 1000 active WISE-PaaS VIP members globally and expand our global presence in industrial software platform space.



圖說：WISE-PaaS Sharing Platform

  - Looking for investment and M&A opportunity to enhance technology capability and market share

In addition to cooperate with external partners, Advantech is aggressively looking for M&A opportunities to enhance the capability in technology and software and to accelerate the development in IoT vertical market ecosystem.

In 2016, Advantech successfully acquired B+B SmartWorx into the group. In January 2017, Advantech announced to invest Kostec, a healthcare monitor provider. In October 2017,Advantech invested 18% stake of Winmate Communication Inc.(3416.TW) through private placement to expand the scope of IoT Allied Platform Service Alliance.

Furthermore, Advantech is cooperating with young talents through University Collaboration. The long term is to facilitate the IoT supply chain in Taiwan.

5.2.1 Market, Production, and Sales Review

A. Market Analysis

1. Main product and main market:

Unit: NT$ Thousand

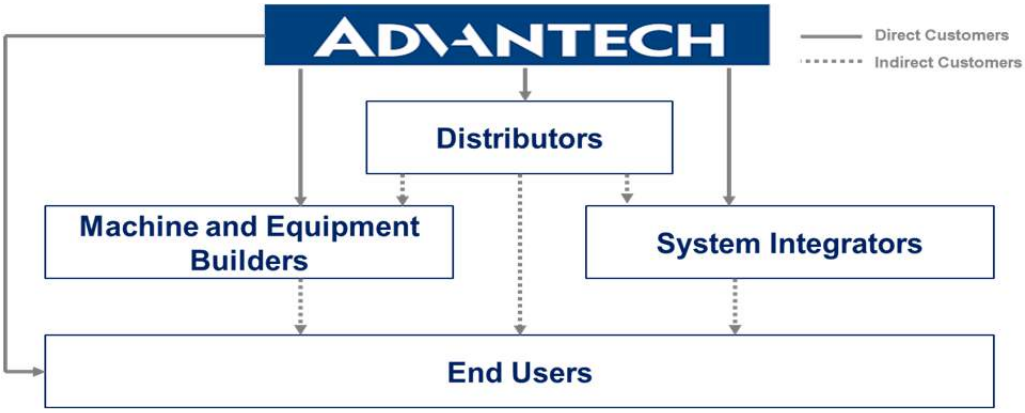
Area	2019
Asia (including Taiwan)	27,460,083
America	15,105,993
Europe	8,937,030
Other	2,641,556
Total	54,144,662

2. The market share and competition landscape

■ Embedded board and industrial PC market will benefit from the rising new application market demand

Advantech has multiple selling channels. The firm produces and markets the embedded board and industrial PC products through distributors, machine/equipment markers, system integrators, which consolidate all the elements and device with value-added development and then sell to end users, like manufacturers, public transportation system, airports and any fields which require computing capability to enhance the information collection and operating efficiency.

Given the variety of form factor, wide-spread application markets, and ASP difference, the total market size of embedded board/systems is very difficult to estimate, especially when all the embedded boards are equipped into any type of machine, equipment, and systems. In addition, the M&A makes the market share number is even more difficult to be precise, given limited disclosure after consolidation. For example, B&R Automation (peer in Europe) was acquired by ABB in 2017; Kontron (peer in Europe) was acquired by Ennoconn in 2017 as well. Radisys (peer in US) was acquired by Reliance and delisted in 2018.

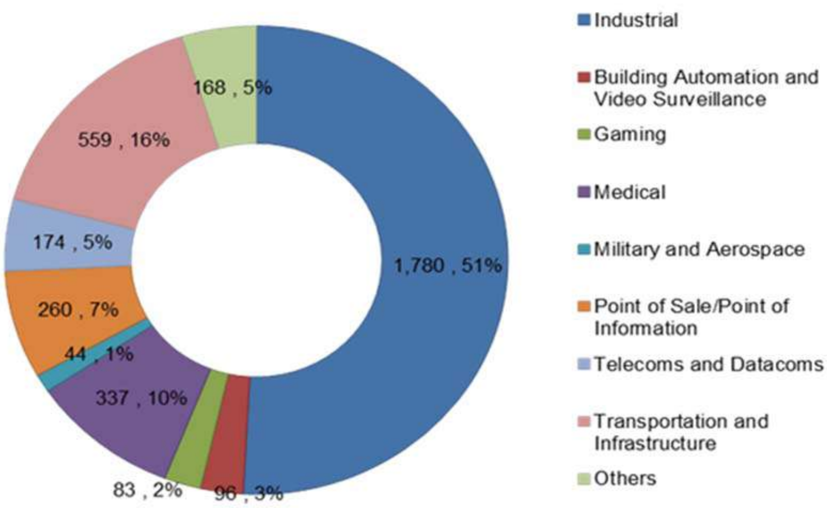


Picture：Advantech has multiple selling channels

In fact, the growth opportunity for embedded board and industrial PC will reply on new application markets, out of traditional industrial application (, which only generate single digit YoY growth), thanks to the development of computing technology and communication infrastructure deployment. For example, retail, logistic, building, hospital and other smart city applications will drive the bigger growth catalyst of the total embedded board and industrial PC sectors. According to Arup, the global smart city spending will reach US$200bn by 2020. However, those new applications have not put into the calculation of traditional embedded board and industrial PC survey.

■ The market share for traditional industrial PC

According to IHS report, the global industrial PC market generated 4% CAGR during 2013-2022. In 2017, the major application market was industrial sector with 51% market share; The 2nd largest application market was transportation and infrastructure with 16% market share; and the 3rd application market was medical with 10% market share. Based on IHS estimation ofUS$3.9bn global industrial PC market size, Advantech had 34% market share in 2017.



Picture：Application for Industrial PC, IHS 2017, US$ mn

Table 6.1: Market share estimates for industrial PCs: World
Suppliers' share of the market in 2016 and 2017

		2016	2017	DIFF 16-17
1	Advantech	33.0%	34.0%	1.0%
2	Siemens	9.0%	9.0%	0.0%
3	Beckhoff	6.5%	6.0%	-0.5%
4	IEI Technology	4.0%	4.0%	0.0%
5	Kontron	3.5%	3.5%	0.0%
6	B & R Automation	3.0%	3.0%	0.0%
7	Nexcom International	2.0%	2.0%	0.0%
7	Avalue	2.0%	2.0%	0.0%
7	DFI	2.0%	2.0%	0.0%
7	Portwell	2.0%	2.0%	0.0%
	Others	33.0%	32.5%	

2016 market size: $3204.8 million

2017 market size: $3501.4 million

Data Issued: November 2018

Source: IHS Markit

Picture：Advantech has 34% market share in 2017, upon IHS estimate

■ The supply demand condition and product competition

Due to the nature of highly tailor-made form factor and diversity customer requirement, there is no over-supply situation in industrial PC and embedded system. However, the industrial cycle and business sentiment is highly related to enterprise capex in different vertical market. The risk will come from the macroeconomic dynamic, which will result in a conservative attitude of enterprise capex planning. In addition, most of Taiwan based companies are export-driven business model. The big exchange rate volatility will impact negatively to the profitability.

Since 2017, given the rising demand in electric vehicle and cryptocurrency, certain electric components has supply shortage with rising selling price, including flash, SSD, ICs/Chipsets and PCB, which lead a margin pressure to Advantech's operation. However, Advantech sustained the operating margin above 15% in 2017, on back of utilizing product mix and improving production efficiency. In 2018, the component price still impacted negatively to the margin profile. In long run, Advantech intends to sustain our profitability through continuing operating efficiency improvement. In 2019, thanks to the supply and demand balance of electric component and revenues scale efficiency, Advantech reported 17% operating margin.

Advantech is positioned well in the industrial PC and embedded system market. However the overall market growth is relative milder in the future. At the same time, traditional motherboard makers are aggressively to take the low-end embedded market share due to the stability embedded market nature. If Advantech only eyes on current business, the future growth potential is limited as well. Therefore, Advantech penetrated into new application market and IoT industry since 2010, keeping enhancing software capability, and expect IoT might provide new growth catalyst in the future.

5.3 Explanation of Intellectual Property Rights on Annual Report

I. In the formulation of intellectual property rights management policies, goals, and systems related to Advantech’s operating strategies:

In accordance with Advantech's unique business operation characteristics, that is, the production method of a small number of diverse products. To set a small amount of effective and well quality intellectual property per Advantech’s policy and goals, and establish the following intellectual property rights system:

1. Formulate the patent management measures:
   a. In accordance with the patent management measures, establish a patent application and inquiry platform PLM / EPM Portal, and share patents on the PLM / EPM Portal platform with other colleagues in need such as R & D, Sales, PM and factory departments.
   b. The policy of patent application is to control the quantity but to upgrade the quality, in other words, Advantech will not focus on utility model patent application. Advantech encourages our colleagues to apply for invention patents.
2. Formulate the trademark management measures:
   a. Uniformly apply for trademarks ADVANTECH worldwide where major branch offices are located.
   b. In the event of any third party infringing on Advantech's trademark, the Legal Department of the Headquarters will assists the branches worldwide to safeguard Advantech’s trademark’s rights.

II. To establish and implement management systems for the acquisition, protection, maintenance, and use of intellectual property rights according to scale and type:

1. Apply for, maintain and manage patent in accordance with patent management measures, and apply for registered trademarks in major business operation countries in accordance with trademark management measures.
2. Advantech established an online patent application and inquiry platform (PLM / EPM Portal) to provide R & D, Sales, PM and factories and colleagues in need, to inquire related patents online.

III. Determine and provide the resources needed to effectively implement and maintain the intellectual property rights management system:

All R & D units will allocate R & D expenses to pay for the patent application, maintenance of patents, and payment of bonuses to inventors to effectively implement and maintain the intellectual property rights management system.

IV. Observe the risks or opportunities of intellectual property rights management both inside and outside and take corresponding measures:

The externally appointed patent and trademark office will regularly monitor the patent and trademark applications related to Advantech, and provide relevant information to Advantech's R & D personnel on the PLM / EPM Portal platform, in order to track the latest technology status of the industry and related intellectual property rights risks.

V. Plan and implement a continuous improvement mechanism to ensure that the operation and effectiveness of the intellectual property management system meet Advantech's expectations:

At the beginning of each quarter, Legal Department will report to the chairman all the implementation status of the previous quarter intellectual property rights, such as patent application and maintenance status, patent litigation status, trademark application and maintenance status, and copyright protection status for the further review.

The Company's other products awarded in recent

Year	Awards
2020	· The 28th Symbol of Taiwan Excellence Winner for the 43 inch UHD J type curved LCD with a curvature of 1500R (CRV-430JP) · The 28th Symbol of Taiwan Excellence Winner for the wearable barcode ring (LEO-WB21) · The 28th Symbol of Taiwan Excellence Winner for the industrial IoT controller (AMAX-5000) · The 28th Symbol of Taiwan Excellence Winner for the 8Kp60 HEVC broadcast video encoder (VEGA-6304)
2019	· Advantech Named Top Vendor in 2019 CIO 100 Awards · Advantech wins 2019 MedTech Breakthrough Award: Best Hospital Implementation · The second year to receive the "Taiwan Top 5 Global Brands" award from Interbrand · The 27th Symbol of Taiwan Excellence Winner for the compact fanless system (MIC-7420) · The 27th Symbol of Taiwan Excellence Winner for the LPWAN wireless module (WISE-4200) · The 27th Symbol of Taiwan Excellence Winner for the 16-channel DAQ platform (MIC-1816)
2018	· 26th Symbol of Taiwan Excellence Silver Medal Winner for the iPS-M100 Hot Swappable Medical-grade Industrial Power System · 26th Symbol of Taiwan Excellence Silver Medal Winner for the POC-WP243 24" Medical Computer · 26th Symbol of Taiwan Excellence Winner for the CRV31-430WP 43" Industrial Curved Monitor · 26th Symbol of Taiwan Excellence Winner for the TPC-5000 series Modular Industrial Touch Panel Computer · 26th Symbol of Taiwan Excellence Winner for the SRP-ESP315 Solar Power Management Solution
2017	· Advantech receives "Taiwan Top 6 Global Brands" award from the Bureau of Foreign Trade · Advantech named Asia no.36 and Taiwan no.5 in Nikkei's Asia 300 list · Advantech Wins "ROI Industry 4.0 Award China" for Its Digital Factory · The 25th Symbol of Excellence Winner for high performance 4U server system DMS-SA21, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for fanless railway panel PC ARS-P3800 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for 8" multi-functional handheld POS system AIM-65 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for pocket-size smart factory edge gateway UNO-2271G, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for 21.5" industrial multi-touch panel PC stainless steel chassis IPPC-5211WS, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for 10.1" healthcare/hospitality infortainment terminal HIT-W101C, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for embedded Qseven board SOM-3568, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for rolling stock fanless system ARK-2231R/ ARK-2230R, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for modular fanless box PC ARK-1124H / ARK-1124U /ARK-1124C, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for power automation computers ECU-4784, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for palm Size vision system AIIS-1200, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for fanless vision system AIIS-5410P, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for compact fanless system MIC-7500, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for video wall signage player DS-980, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for thin barebone system EPC-T2285, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for embedded motion controller MVP-3245, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for intelligent remote terminal unit ADAM-3600/ ADAM-3617/ ADAM-3618/ ADAM-3624/ ADAM-3651/ ADAM-3656, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. · The 25th Symbol of Excellence Winner for managed redundant industrial ethernet switches EKI-7700 Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ·

2017	▪ The 25th Symbol of Excellence Winner for Advantech WebAccess/Cloud , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for WISE-DK1520 starter kit , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for development kit for RTX v2.0 CPU Module ROM-3420 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2016	▪ TREK-773 rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ PWS-870 rewarded 2016 iF Product Design Award. ▪ 1U High-efficiency Server rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ 24" Medical Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ 7" High-efficiency Integrated Vehicle-mount Terminal – Light Vehicle Management rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ 7" Ultra-slim Vehicle-mount Tablet Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ DPX-E135 Embedded Gambling System rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Pico-ITX 2.5" Micro Embedded Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ ProView Ethernet Exchange rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ SOM-7568 Fan-free Embedded Micro COM Expres Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Full-flat Compact Industrial Touch Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Internet of Things Wireless Data Retrieval Module rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Wireless Internet of Things Gateway rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ High-efficiency Computer Control System for Train Car rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Fan-free Industrial Computer for Control Cabinet rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Third-generation 7" Aluminum Vehicle-mount Terminal – Heavy Vehicle Management rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Fan-free Wayside Control Platform rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Mobile Multimedia Computing Module rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Ultra-slim Open-framed LED Touch Display rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Ultra-slim Mini-ITX rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Ultra-HD OPS Multimedia Player rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence ▪ Modular Industrial Control Platform rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Modular Embedded Intelligent System rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Aluminum Rail Industrial Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ▪ Medical Intelligent Battery System rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence
2015	▪ The 23rd Symbol of Excellence Gold Medal and Silver Medal Winner for 7" medical and industrial-grade handheld tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for ATCA 100GbE advanced communications server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for EKI Spec. Ethernet network switches, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Open-type network structure HMI/SCADA software, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

2015	▪ The 23rd Symbol of Excellence Winner for Ultra-low-power consumption simple embedded IoT system, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for industrial-grade tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Fanless & Wide-range temperature Embedded System, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Embedded Gambling System, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for High-performance smart embedded computer module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for SoC wide-range temperature embedded applied computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for 4K2K four-display high-performance smart digital signage player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for 21.5” Thin open-type frame LED backlit touch screen, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Integrated on-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for high-performance broad application robust Tablet PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for multi-function data collection card series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for robust Industrial Computers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for 7” medical handheld tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for on-board monitoring Embedded fanless smart system, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2014	▪ Awarded with the “2014 Taiwan Top 10 Global Brands” Award. ▪ Advantech received the CSR Best Workplace Excellent Award from Global Views Monthly in 2014. ▪ The 22nd Symbol of Excellence Winner for High-performance network security equipment, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for ATCA 40GbE advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Advantech WebAccess-open network structure HMI / SCADA software, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Programmable Automation Controllers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Superthin and bright industrial LCD panel, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Industrial-grade multi-touch points man-machine interface, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Industrial-grade wide-screen tablet displays, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Smart remote Ethernet network data collection modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for PoE (Power over Ethernet) industrial Ethernet Switch, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for High-performance smart embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for lightweighted smart micro-fanless embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Low-power consumption simple smart connected device, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	▪ The 22nd Symbol of Excellence Winner for Low-power consumption miniature embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for ATCA dual processor advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Mobile Industrial Computers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2013	▪ Awarded with the "2013 Taiwan Top 12 Global Brands" Award. ▪ Advantech Industrial Automation Group - Human Machine Interfaces (HMI) TPC and SPC series won Germany iF product design award in 2013. ▪ The 21st Symbol of Excellence Winner for High-performance network security equipment, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for ATCA 40GbE advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Industrial-grade wireless data collection module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for IEEE 802.11a / b / g / n Industrial Wireless Outdoor Mesh, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Green low-power consumption smart industrial-grade server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Innovative high elastic expansion single-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Smart wide-range temperature miniature motherboard MI/O Ultra Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Robust design, high elastic expansion single-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Super bright smart industrial-grade display panel, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Industrial-grade ultra-thin open-frame display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Dual processors ATCA advanced communications server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Smart miniature fanless embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Open-style Easy handling digital electronic multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for High-Performance Multi-Display Digital Electronic Multimedia Player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Streamline energy-saving digital signage, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Energy data centralized computation, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2012	▪ Awarded with the 11th place of the "2012 Corporate Citizen Award" by Commonwealth Magazine. ▪ Awarded with the "2012 Taiwan Top 11 Global Brands" Award. ▪ The 20th Symbol of Excellence Winner for TREK-753 full-featured integrated on-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Industrial tablet touch panel display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Cascaded-type real-time Ethernet remote data collection module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Innovative interface single-board computers MI/O Extension, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Smart miniature motherboard MI/OUltra Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	▪ The 20th Symbol of Excellence Winner for High seismic wide-range temperature PCI-104 CPU board, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Green energy-saving industrial-grade motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Electricity market exclusive fanless embedded industrial computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Industrial-grade flat touch panel LED display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Open-style Easy handling digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Low-power consumption high display digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Expandable blade-type 5-slot Industrial PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2011	▪ Awarded with the "2011Taiwan Top 10 Global Brands" Award. ▪ The 19th Symbol of Excellence Winner for ARK-VH200 fanless on-board DVR embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for FWA-6500 network applied platform, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for NCP-5260, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PC/104, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PCM 9562, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PEC-3240 fanless industrial-grade embedded motion controller, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PIT-1501W healthcare and infotainment entertainment systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for SOM-5788 Intelligent smart embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for Low-power consumption and wide-range temperature industrial touch control PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for TREK-550, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2010	▪ Awarded with the "2010 Taiwan Top 12 Global Brands" Award. ▪ Awarded by Chinagkong with the "Decade Industrial Contribution" and "Decade Leading Industry." ▪ The 18th Symbol of Excellence Winner for IPPC- 8151S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for APAX- 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for Uno- 1100 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for UTC-W101E, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for NCP-7560, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for MIC-5322, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2009	▪ The 17th Symbol of Excellence Winner for IPPC 7517, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 17th Symbol of Excellence Winner for EKI 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ Awarded with the "Electron d'Or Award for Industrial and Network Computing Architecture (INCA)" ▪ Awarded with the "2009 Taiwan Top 12 Global Brands" Award. ▪ Awarded with the "2009 China Outstanding Innovation Enterprise" award by CIO IT Magazine.
2008	▪ Advantech received the 4th prize of the 2nd "Corporate Social Responsibility Award" from Commonwealth Magazine, Taiwan, ROC ▪ The 16th Symbol of Excellence Winner for UbiQ 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for VITA 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2008	▪ The 16th Symbol of Excellence Winner for UNO-2182, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for TPC-30T/TPC-32T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for IPPC-7157A/IPPC-7158B, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2007	▪ Advantech received the 3rd "Corporate Social Responsibility Award, Top Honor" in 2006 from Global Views Magazine, Taiwan, ROC ▪ Advantech received the 1st "Corporate Social Responsibility Award from Commonwealth Magazine, Taiwan, ROC ▪ ARK-3381 received Computex Taipei Best Choice Award. ▪ The 15th Symbol of Excellence Winner for UibQ-230, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 15th Symbol of Excellence Winner for ARK-4170, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 15th Symbol of Excellence Winner for ADAM-5550KW, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2006	▪ Advantech received the 2nd "2006 Corporate Social Responsibility Award" from Global Views Magazine, Taiwan, ROC ▪ Received the Supplier of the Year for the Embedded Single-Board Computer from "Control Design" Magazine ▪ Advantech awarded by Intel with the "Intel Associate Partner of the Year" and "Multi-Core Solution Contest Award." ▪ Advantech received Microsoft's "The Most Growth Award in Asia Award."
2005	▪ Awarded with the 13th MOEA "Industrial Technology Advancement Award of Excellence." ▪ Gold Award Embedded Control Europe (ECE) magazine readers awarded TREK-755 Sunlight Readable Model with Gold Award

2004	▪ Awarded with the "2004Taiwan Top 10 Global Brands" Award by the Bureau of Foreign Trade, MOEA. ▪ The 10th Symbol of Excellence Winner for Small-size industrial-grade touch controlled computer TPC-60S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for Industrial-grade front-wired fanless computer UNO-3062, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for Industrial computer work station AWS-8100G, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ Won the Control Design Reader's Choice Award for "Single Board PC" First Prize. ▪ FPM-3170 17" Flat Panel Monitor received the "2004 Editor's Choice Award" HMI First Prize from Control Engineering Magazine (USA).
2002	▪ Accepted as the one and only Gold-Level Partner in Microsoft's Windows Embedded Partner ODM Category. ▪ The 10th Symbol of Excellence Winner for Smart home network terminal EH-7102G / GH, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for 586-grade Internet accessible equipment remote monitoring system WebLink2059-BAR / CE / SDA / SKT, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2001	▪ Completed the "MOEA Industry Technology Development Industrial Plan (ITDP)" of the Technology Division MOEA ▪ Multimedia network telephone ES-510 received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC ▪ Full-function LCD touch computer PPC-153T received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC ▪ The 9th Symbol of Excellence Winner for Multimedia network telephone ES-510, the MOEA, Taiwan, ROC. ▪ The 9th Symbol of Excellence Winner for Full-function LCD touch computer PPC-153T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 9th Symbol of Excellence Winner for Family Vestibule Internet terminal EH-760, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 9th Symbol of Excellence Winner for multifunction firewall WEB-2143, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2000	▪ Full-function LCD touch-type computer PPC-153T awarded with the "Best Innovative Product Award" by KIOSK Magazine (USA). ▪ IPC-601 awarded with the "Most Valuable Product" Award at the Telecom Network Exhibition. ▪ MIC-3032 awarded with the "Most Valuable Product" at the telephone computer voice integration exhibition. ▪ 2A-100 awarded with the "Most valuable Telecom Network Telecom Product" by the US telecom network magazine
1999	▪ ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan ▪ ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan. ▪ The 7th Symbol of Excellence Winner for card-type computer CPC-2245, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 7th Symbol of Excellence Winner for Touch control server PPC-A100T-R50, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
1998	▪ Awarded with the Most Representative Outstanding Company by Industrial Development Bureau, MOEA, Taiwan, ROC ▪ PPC-102T Panel Computer received the 6th Gold National Award of Excellence, Taiwan, ROC ▪ The 6th Symbol of Excellence Winner for PC-based remote monitoring system ADAM-5000 series, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 6th Symbol of Excellence Winner for PPC-102T Panel Computer, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 6th Symbol of Excellence Winner for Multi-function LCD panel computers PPC-140T, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ PPC-140T Multi-Function Panel PC received the Comdex Asia 98 "Best Hardware System Award." ▪ Multi-function LCD panel computers PPC-140T awarded with the "KIOSK Best Solution Product" by CRN Magazine (USA). ▪ IPC-6908 awarded with the "Most Valuable Product of the Year" by CTI Magazine (USA) ▪ Advantech received the 4th place of the "Most Worthy of Investment Companies" Award from Commonwealth Magazine, Taiwan, ROC ▪ Advantech received the 6th place of "The Best Performing Companies" Award from Commonwealth Magazine, Taiwan, ROC
1997	▪ Received ISO-14001 Environmental Management System Certification. ▪ Awarded with the 5th Award for Industrial Technology Advancement Most Outstanding Award, the MOEA, Taiwan, ROC ▪ IPC-622 awarded with the "Most Valuable Product of the Year" Award by the US Computer Telephony Magazine.
1996	▪ Awarded with the 4th Award for Industrial Technology Advancement and Outstanding Award, the MOEA, Taiwan, ROC ▪ The 4th Symbol of Excellence Winner for ADAM-4000 Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
1995	▪ The in-house developed industrial control software -GENIE awarded with the "Outstanding Information Application Award."
1993	▪ Awarded with the 2nd National Award of Small & Medium Enterprise by National Association of Small & Medium Enterprise ▪ Received ISO-9001 Quality Management System Certification.
1992	▪ Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City ▪ ROC Blue Chip Corporate Training Unit "Gold Merchant Award"
1991	▪ Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City
1990	▪ Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City
1989	▪ Awarded with the "Innovative Product Award" at the 3rd Instrument Exhibition, Taipei City, ROC

5.2 Main Applications of major products and their manufacturing processes

5.2.1 Main applications of major products:

(1) Embedded Computing

Including Computer On Modules, Industrial Motherboards, Industrial Display Systems, Fanless Embedded computer, and Digital Signage Players. The main function is based on PC core control module with high performance applications and streamlined platforms design, so system integrators can reduce product development time .

(2) Industry Automation

Advantech provides customers several standard solution ready packages and products, like Embedded Automation Computers, Human Machine Interfaces, Industrial Communication, Machine Automation, Remote I/O Modules and so on. Build stable automation operation with real-time monitoring solution.

(3) Intelligent System

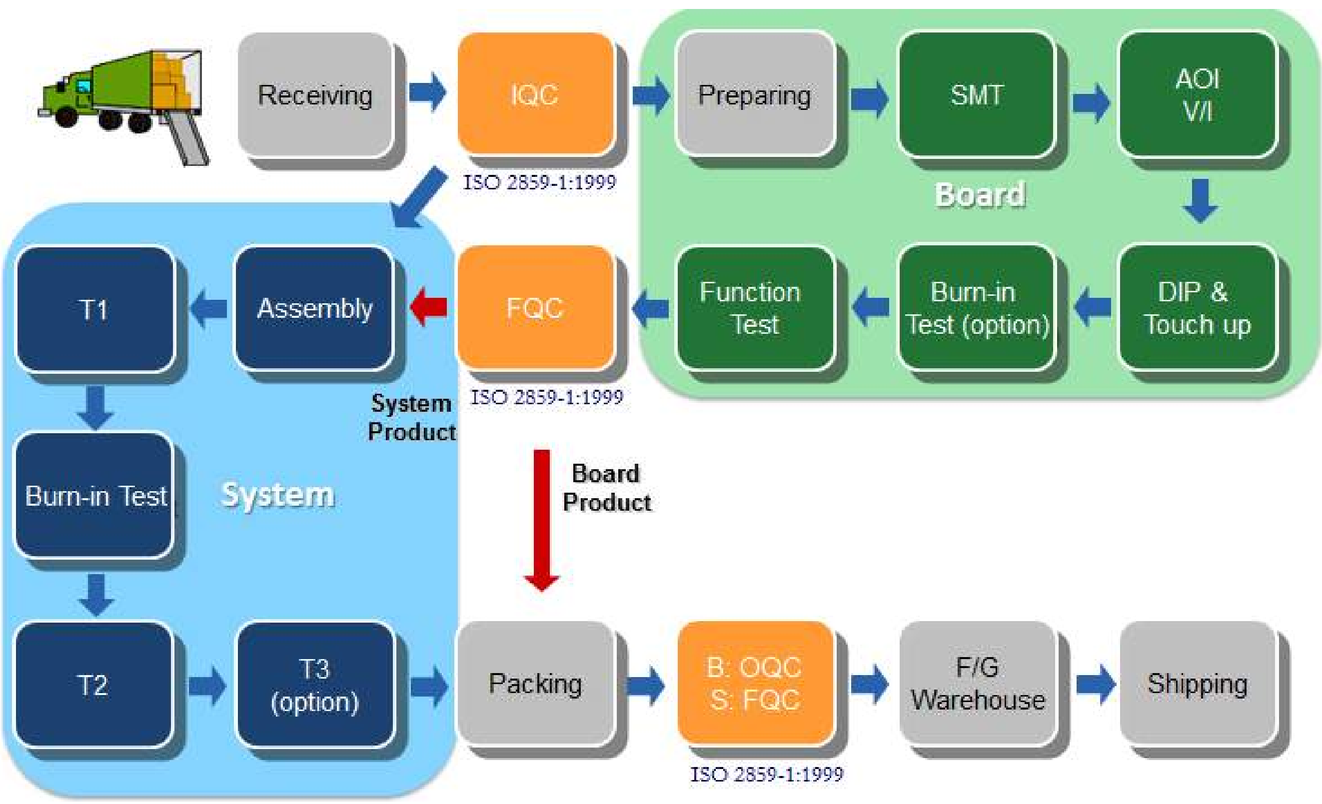
As a leading provider in the industrial computing market, Advantech is committed to giving more value-added solution and services for the implement of IoT development, Data Acquisition (DAQ) & Communication, Industrial Servers & Storage, Intelligent Transportation Systems, Video Solution, modular IPC are included.

(4) Intelligent Services

Advantech not only fulfills customer requirements, but also makes expansion more flexible for various applications. The product lines are well completed, such as Point-of-Care terminals, All-in-one Service Touch Computers, Industrial Mobile Computers, Medical Carts and POS system …etc., are applied in each field of retail information delivery, healthcare environment and logistics management.

5.2.2 The production process of main products:

Advantech Process Control Chart



(1) Board Level Production Flow

After warehouse receiving material from vendors, well-trained IQC personal will sampling inspect the incoming material, only accepted material will be stored and follow FIFO mechanism for preparing materials for work order request. Advantech adopted RoHS standard to perform lead-free solder printing for SMT process, followed by 100% AOI plus visual inspection for double check and manual insertion for DIP process. Through long time high temperature burn-in to filter out the early defect parts and followed by full function test to ensure the product quality is accord with industrial standard. After packing, FQC inspection will be performed before shipping worldwide.

(2) System Level Production Flow

Similar to board product, only accepted material will be stored and follow FIFO mechanism for preparing materials for work order request. The well-trained operators will follow SOP to assembly the system product and perform full function test to ensure the assembly quality. Long time high temperature burn-in test is adopted to simulate the user working environment, followed by the full function test and customized settings. The Production Shop Floor Information System will monitor each unit should pass all the rigid tests above, before move to packing process. FQC inspection will be performed before shipping worldwide.

5.2.3 The Supply of Major Materials

Raw material	Availability
Integrated circuit <including chip>	Well
LCD	Well
Touch screen sensor <Glass>	Well
PCB	Well

Note: The raw material suppliers referred to above are reputable domestic and foreign manufacturers and have been doing business with the Company for years with a stable cooperative relationship held.

5.2.4 The name, purchase (sale) amount, and ratio of the suppliers (customers) accounted for over 10% of the total purchase (sale) in one of the last two years, and the reason for the changes in purchase (sales):

A.List of Major Suppliers with over 10% of the total purchase in one of the last two years:

Unit: NT$ Thousand

	2018				2019				As of 2020Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the last quarter of the year (%)	Relationship with the issuer
1	Vendor A	4,766,674	20.66	None	Vendor A	5,120,618	18.79	None	Vendor A	1,354,204	19.81	None
2	Others	18,302,599	79.34		Others	22,134,882	81.21		Others	5,481,537	80.19	
3	Total	23,069,273	100		Total	27,255,500	100		Total	6,835,741	100	

B.List of Major Customers with over 10% of the total sales in one of the last two years:

Unit: NT$ Thousand

	2018				2019				As of 2020Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	〔%〕Percentage of the last quarter of the year (%)	Relationship with the issuer
1	Others (Note)	48,726,518	100.00	None	Others (Note)	54,144,662	100.00	None	Others (Note)	11,272,189	100.00	None
	Net sales amount	48,726,518	100.00		Net sales amount	54,144,662	100.00		Net sales amount	11,272,189	100.00	

Note: No single customer accounted for more than 10% of total sales amount.

5.2.5 Production, Volume, and Value of the last two years

Unit: Unit/PC; NT$ Thousand

Year / Output / Main Products	2018			2019		
	Production capacity	Production quantity	Production Value	Production capacity	Production quantity	Production Value
Embedded boards and Chassis	1,949,092	1,733,502	11,055,837	1,991,344	1,765,607	11,396,791
Industrial computer and industrial control	2,437,134	2,370,573	10,306,993	2,631,553	2,472,029	10,179,081
After-sales service and others	88,970	72,724	113,486	165,110	139,124	876,386
Total	4,475,196	4,176,799	21,476,316	4,788,007	4,376,760	22,452,258

5.2.6 Sales Volume and Value of the last two years

Unit: Unit/PC; NT$ Thousand

Year / Shipments & Sales / Main Products	2018				2019			
	Domestic Sales		Export Sales		Domestic sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Embedded boards and Chassis	213,961	1,445,224	1,602,212	19,909,489	187,783	1,302,001	4,407,288	24,973,928
Industrial computer and industrial control	234,068	1,320,262	2,863,155	19,778,769	230,793	1,305,487	2,800,165	20,470,671
After-sales service and others	13,256	838,958	107,009	5,433,816	9,138	867,645	89,566	5,224,930
Total	461,285	3,604,444	4,572,376	45,122,074	427,714	3,475,133	7,297,019	50,669,529

5.3 Employee information

March 31, 2020

Year		2018	2019	As of March 31, 2020
No. of Employee	Direct staff	2,467	2,526	2,711
	Indirect staff	5,692	6,073	6,080
	Total	8,159	8,599	8,791
Average age		36.3	37	36.6
Average seniority		6.2	6.4	6.3
Academy Ratio	Ph.D	0.3	0.3	0.3
	Master	19.1	18.8	18.3
	College	48.8	48.9	47.8
	Senior High School	26.9	27	28.8
	Below Senior High School	5.0	5.0	4.8

5.4 Expenditures on Environment Pollution Control

5.4.1 The amount of penalty/fine (including compensation) imposed due to environmental pollution in the most recent year and up to the publication of the annual report, countermeasures and potential expenditures: None

5.4.2 Advantech recognizes the concept of the "LITA (altruistic) tree", believing that society is like the earth nurturing a tree and it is the foundation for a corporation to grow; therefore, we must give back to society what we have gained. Following 30 years of hard work, all of Advantech's current achievements rely upon the continuous resources provided by the environment. As a member of society with the goal of creating a beautiful life, Advantech is willing to commit its utmost effort in improving the environment and ensuring labor safety. In light of this, not only did Advantech incorporate the ISO 14001 environmental management system in 1996, OHSAS 18001 occupational safety and health management system in 2005, and implemented practices in accordance with government regulations for environmental protection, labor safety, and health, Advantech also worked hard to lessen the impacts of its operational activities with respect to GHG management, product design and use, and waste disposal to improve the safety and health of the environment. It is through these efforts, in conjunction with employee participation and commitment, Advantech has achieved the goal of environmental protection and corporate sustainable development.

■ Eco-friendly product design

Advantech believes in protecting the environment by preventing pollution, using less energy and raw materials, reducing the generation of waste, and using clean production technologies; it focuses on modifying the production process to reduce pollution rather than using end-of-pipe treatments to resolve pollution problems. When promoting waste reduction, the Company recycles waste packaging materials for reuse. In addition, when designing products and selecting production technologies, we try to minimize the use of raw materials and energy. Through energy conservation designs, the goal of cyclic use can be achieved. Advantech adopts the ISO 14000 environmental management system to facilitate pollution prevention and life cycle assessment, thereby enabling the Company to raise its environmental performance while increasing its profitability.

In recent years, climate change, environmentally hazardous substances in products, labor safety and health, and human rights have become key CSR issues. Advantech has also incorporated these issues into the focus of green supply chain management (Please refer to section 3.3 for details). For example, regarding the management of environment-related substances, Advantech has amended its internal management standards according to various environmental protection policies .

In addition to the aforementioned green design regulations, the Company requires all product designs and development to be verified for safety, thereby ensuring their compliance with CE/ FCC/CCC safety requirements. Advantech follows international environmental protection laws and regulations; from natural resource use, hazardous substance restrictions, to the life cycle assessment (LCA) with respect to waste management. All of these procedures conform 100% to international declarations for green products. The Company's products are promoted as green products based on three dimensions: safety, energy-saving, and environmental protection.

■ Environmental protection management

To sustain human lives and Earth's green environment, Advantech has endeavored to lessen the impacts of product design and application, as well as waste disposal for the overall safety and health of the environment. In addition to complying with relevant regulations, the Company has mobilized all of its employees to participate in the protection of the environment and achieve corporate sustainable development.

Overview of Advantech's environmental protection investments

Environmental Management Targets		Achievements
Energy saving and carbon reduction programs	Reduced electricity consumption per unit of product produced by 5%	Reduced electricity consumption per unit of production by 6.15%
Waste reduction program	Reduce industrial Scrap rate waste under 3%	industrial Scrap rate waste is 1%

Remarks: Formula
1) Electricity consumption per unit of production unit: annual use/annual production
2) Waste reduction index (rejection rate): total amount of hazardous waste in the year / total production of the year

Looking to the future, Advantech will integrate Taiwan's smart factory at Linkou Phase II, and implement energy management systems and production line optimization management mechanisms to reduce energy consumption targets and reduce electricity consumption to implement energy-saving benefits. In response to waste reduction measures, Advantech's plant will introduce a continuous improvement project to study the ineffective timing of tin in DIP process tin waste, which is expected to reduce the output of waste tin slag.

2019 Advantech Environmental Protection Investment Expenses List

	Item	Cost(NT1,000)
1	Energy Star/ Environment Product safety/environmental certification fees	105
2	ISO 14001/ OHSAS18000 Environmental Safety Management System Certification Fees and Pollution Source Monitoring Fees	133
	Total	238

Including verification fees, the company's 2019 environmental protection investment exceeded NT$238,000, as shown in the table.

Water resource usage and management

The amount of precipitation in Taiwan during the dry and wet seasons are significantly different. Storing water resource is a challenging task. When bad weather occurs, various industries may face severe water shortage. Advantech has attempted measures such as using water-saving faucets and toilets in order to reduce the average water consumption per capita. Advantech's plants are located in developed industrial zones or parks in urban areas. All of these plants use tap water as their water supply 100% of the time; they are not involved in extracting underground or well water and their water consumption activities exert no negative influence on the surrounding water resources.

- Monitoring and management of cooling water tower
- Monitoring and management of cooling water towers' conductivity
- Installation of water-saving faucets
- Smart irrigation water-saving system
- Monitoring and management of cooling water and chiller systems with smart air-conditioning systems

Waste management and resource recycling

Having zero waste is Advantech's ultimate goal in waste management. More specifically, by reducing the amount of total waste produced, recycling waste into resources, and implementing source management measures (e.g., reduce raw material use), Advantech attempts to output less waste, replace the end-of-pipe treatment model with the recycling-and-reuse model, convert trash into useful resources, realize resource recycling, and reduce the energy and costs consumed during waste treatment.

Regarding the use of raw materials, the use of electronic materials accounts for approximately 90% of the total usage, whereas the remaining 10% includes mechanical, packaging, plastics, and other non-metal mechanical materials. metric tons which can be divided into four major categories: PCB wastes, tin slag, chemical waste, and others. In the future, Advantech will continue to increase its process yield, reduce the output of electronic waste and tailings, and achieve efficient industrial waste reduction.

Greenhouse gas management

By promoting a series of activities related to "energy conservation, carbon reduction, and loving our planet," Advantech strengthens its employees' awareness on conserving energy. Concurrently, the Environmental Safety and Health Committee is established to construct Advantech's conceptual framework that promotes environmental safety and health, advocates energy conservation, and helps increase energy efficiency. Moreover, the Company includes energy cost reduction as one of its crucial auditing items.

Since 2009, Advantech has cooperated in the Carbon Disclosure Project (CDP), which is currently the world's largest database related to global climate change. Each year, questionnaires are distributed to determine how businesses are responding to climate change and reducing their GHG emissions. The survey results are then used to evaluate the potential business risks and opportunities caused by climate change. Through annual CDP information disclosure, Advantech carefully reviews climate-related issues such as climate regulations and hazards caused by climate change. To mitigate potential risks in business management, the Company adopts effective reduction and elimination measures and thereby adheres to the GHG management requirements requested by international clients.

Advantech Taiwan includes our Neihu headquarters, as well as factories in Donghu and Xindian. The Linkou Smart Technology Park officially started its operation in 2014; its construction divided into three phases, and the total area spans 34,470 m2. Currently, the completed first-phase covers an area of 9,983 m2, and its main buildings include an R&D center, production center, and offices. In the future, the second and third phases will contain more office space, a production center, and a living area, which will be integrated with the original Linkou Plant to form Advantech’s second headquarters where R&D, production, warehousing, and product distribution will take place. Advantech has developed the Linkou Park into an innovative experimental site for smart-buildings, where two major smart-building solutions, smart-building energy management, and smart contextual space management are implemented. By cooperating with partners from the smart-building industry, Advantech has established a close-knit smart-building collaboration system, where consulting teams are available to provide sales services. For our partners from the building industry, Linkou Park is an experimental site where collaborative R&D can be performed. To clients, Linkou Park is a place where they can experience smart building solutions. When customers walk into Advantech’s Linkou Park, they can experience various smart building solutions developed by the collaboration system, including the smart central control room, smart parking, smart reception, and smart conference rooms.

Several smart sites have already been developed inside Linkou Park, all of which have incorporated the concept of smart energy conservation. Furthermore, Linkou Park continuously engages in innovative development to increase the smart-capabilities of the smart green buildings. Relevant designs are described as follows:

I. Smart parking: Smart parking is a smart service system that combines various functions such as reserving a parking space, identifying license plates, eTag, welcoming guest messages, guiding a vehicle to its parking space, parking area control and management, and finding a vehicle. The smart parking system is equipped with an automated system that uses lights to guide vehicles forward, as well as an air conditioner system for air quality control to provide excellent smart parking services and parking environment, as well as conserve energy.

II. Smart reception: When visitors arrive, the big monitor in the lobby will display a welcome message. As soon as visitors touch the automated visitor registration system, relevant personnel are notified of their arrival via mobile phone messages. Visitors are then issued with an electronic identification card that enables them to interact with the multimedia facilities within the building. With interactive multimedia signboards featuring centralized control management and regional connectivity, park-related information, weather, and traffic data can be viewed. Thus, businesses with branches in other regions can easily announce their management information. Furthermore, through an interactive e-Catalog system, visitors can browse product catalogs and advertisement videos, use their emails online and share information with others; they can also read QR codes with their mobile phones. At night, these signboards automatically enter sleep mode and automatically turns on the next day, thereby achieving the effects of energy conservation.

III. Smart conference room: The multimedia signboard in the lobby displays the booking information for the conference room. Similarly, at the entrance of the conference room, a signboard is also installed to display meeting information. Users will be given the rights to use each conference facility, and they can automatically switch the situational configurations within the conference room with a single touch of a button depending on their needs. Concurrently, air quality sensors and automatic regulating fans are also installed to enhance the indoor air quality. If no one is detected to be present in the room for 15 minutes, the system automatically issues a command to switch off all power and the air-conditioning system in the room to conserve energy.

IV. Smart office:In addition to the air conditioning system automatically detecting and regulating the air quality, the people sensing energy conservation system will also divide the office area into several regions and generate a schedule based on work hours and lunch breaks. During off hours, smart office connects with the access control system and the entry card reader automatically activates the lights in the room. Furthermore, the system can be operated via a webpage and a touch screen panel. Based on the behavioral characteristics of users, lights and air conditioners in that area switch off automatically when the room is empty.

In addition to introducing smart solutions for reducing energy consumption, Advantech is also constantly involved with the promotion of energy.

• The Linkou Smart Technology Park contains building energy management and people sensing energy conservation, with the latter aimed at making the buildings smarter including smart air-conditioning and parking, as well as all-in-one access cards. After following the steps for comprehensive detection, reliable transmission, and smart processing, combined with cloud systems to facilitate convenient living, smart buildings are realized; through the use of smart management, achieve effective energy conservation and prevent wasting resources.

• Smart power management is handled by a single button operation to control the lightings and projectors in the conference room; different settings such as presentation mode or discussion mode are also provided. This prevents the unnecessary waste of resources when employees forget to switch off other power supplies.

- Replacing high-performance lighting equipment; currently, the Linkou Smart Technology Park and the Sunshine Building both use energy-saving light bulbs, whereas Xindian and Donghu plants are still in the process of replacing their energy-consuming lights. New Advantech buildings all use energy-saving bulbs.
- Use video conferencing instead of on-site meetings whenever possible
- Prioritize the purchase of green-label office equipment and information electronic products
- Maintain the indoor temperature at 25°C
- Encourage employees to develop the habit of switching off the lights as soon as they leave a room

Advantech and caring for nature

Environmental protection is a crucial topic for mankind; therefore, Advantech not only values its relationships with local communities, but also actively assumes its environmental protection responsibilities in creating a sustainable green industry.

Advantech will transform Linkou into smart parks and IoT demonstration centers, cooperate with its partners in the innovation and execution of IoT solutions, reform both Linkou into smart building demonstrations and indicators, promote smart energy saving and carbon reduction concepts, alter conventional thinking through actual experiences, and promote the implementation of smart cities.

More specifically, Linkou Park followed the optimal energy saving design formulated based on user needs. The design enhances the comfort level for employees inside the building as well as their working efficiency. While lowering the amount of unnecessary energy consumption, it also improved the quality of the overall work environment. The Park's energy management system is optimized continuously with the hope that the Park will become a benchmark for Taiwan's green enterprises.

Organic Farm

Encourage all Advantech employees to step outside, accept the baptism and the nurturing of mother nature, participate in various sustainable conservation activities organized by Advantech to allow them to get closer to nature without damaging its ecological systems, and adopt the organic farms with their families. Through each seeding and harvesting, Advantech employees could truly appreciate and understand mother nature; enjoy the beauty of this planet as well as the joys of a rich harvest.

"Organic & natural, eco-friendly and earth loving" have always been our goals, and being close to and feeling nature's vitality are the energy source for Advantech employees. In 2009, Director KC Liu happened to come across an organic farm in Yilan County, where he had first-hand experience with natural, chemical-free agriculture; he was inspired by the idea of providing all employees with an opportunity to get close to nature and enjoy organic fruits and vegetables, this idea planted the seeds for Advantech's organic farms.

After careful investigation and planning, the "Advantech Organic Farm - Work Holiday" was launched in 2010 in Shenkeng. Each month, Advantech employees can participate in an ecological trip at the organic farm. In order to allow more Advantech employees with the chance to enjoy organic farming experience, Advantech's organic farm plots have been open for employee adoption since 2011. In addition to providing organic fertilizer, seeds, and seedlings for the eager gardeners, we also provided organic produce and environmentally friendly daily living necessities as special awards for those employees who take a serious interest in organic horticulture. The annual organic farm adoption events and harvesting activities are the happiest times experienced by Advantech employees and their families.

The aim of Advantech Taiwan's organic farms is to provide employees, their families, and other individuals with the opportunity to experience organic farming and a healthy diet. The farms also allow employees to take better care of themselves, their families, and our planet; helping to achieve sustainable agriculture. "Come admiringly, come willingly, come frequently, come together" is the motto of Advantech's organic farms, in the hope that employees can feel the vitality of nature and experience an inner green happiness.

5.5 Labor-Employer Relation

(I) The Company’s employee welfare measures, education, training, retirement system and its implementation, as well as the agreement between the employers and the employees, and the implementation of the employee’s rights protection:

1.Employee welfare measures:

Uphold the “Perfectionism” business philosophy. The Company values the employee benefits policy. A dedicated unit (Human Resources Department) is setup within the organization to plan a series of welfare measures in order to provide the staff with a stable lifestyle, to protect the interests of employees, and thus promote employer-employee harmony.

The Company believes that the employee will be able devote to work wholeheartedly and exercise their job strengths to create high quality products and promote the progress and prosperity of the whole enterprise only when their welfares and life security are protected.

(1) The welfare measures directly handled by the Company:

A、Employee bonus;

B、Labor insurance;

C、National health insurance

D、Group insurance

E、Annual health check

F、Marriage, funeral, joy, celebration grants

G、Dragon Boat Festival and Mid-Autumn Festival gifts

H、Yearend banquet dinner

I、Domestic tour

J、Overseas tour

K、Magazine subscriptions subsidies

L、Community ac

M、Birthday celebration

N、Departmental function fund

O、Movies

P、Arts and cultural appreciation

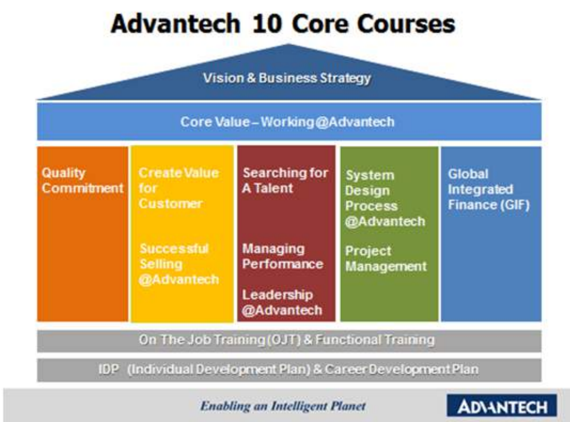
Q、Emergency rescue gold

2. Education, training system, and its implementation

With a view to cultivating talents and expanding the horizons, Advantech College has designed a series of talent cultivation programs: starting from On-Job Training, the trainee will be assigned with a work-related task, hoping to develop his/her expertise honed through the task, and with Ten Main Core Curricula, Case Study, Reading Club, E-Learning and LEAP Camp, TCAP, and Champion Program, Advantech College provides a global growth platform targeting on learning, creating an environment for continuous learning and development so as to accelerate growth and improvement for all Advantech talents. Each talent cultivation program is outlined as follows:

■ Advantech 10-Core Program

Advantech's executives have elaborated the most basic knowledge and skills of Advantech and compiled the Advantech Ten Main Core Curricula, the five categories of which include quality commitment, marketing and sales, talent asset, research and development, and finance and value creation, so as to impart Advantech’s systems and regulations. Through the Ten Main Core Curricula, Advantech’s core values and systems can be learned.



- Case Study

Advantech management and decision-making levels will select the themes relevant to Advantech future development and invite experts from all fields and scholars from academic circles to discuss on Advantech business cases and offer academic theories and proposals to compose our “Business Case Study,” and the discussions and interactions between our colleagues and experts in various fields will jointly help develop the guidelines and strategies for the company’s future development and accomplish the tasks of cases, such as ”M&A as the Assessment and Management for Advantech Development Strategy”, “Under Greater China Homeland strategic approach, Advantech strategic action and managing change in Mainland China”, and "Advantech’s Operation in Inter-Continental Sales Region” : ”Action Plan Design on the evolution from Export Business Model to the Operation Model of Market Segmentation”, “Advantech Business Leadership Management Process Improvement Study”, “The Study on the Pricing Model of Advantech GIE 2.0”, "Focus on Excellence, Innovation and the Humanities and be a good corporate citizen- Advantech CSR Case Study”, “Advantech's Talent Cultivation and Inheritance", and 「”The study on Advantech transnational MD role.” Case Study not only stimulates the trainees’ creative thinking and reflections and refines the company's business model and strategies, but it also effectively imparts Advantech’s business philosophy and strategic direction.

On the other hand, business cases from domestic enterprises are limited in number, and the ones developed by Advantech in cooperation with academic circles are available not only for teaching purposes, but also for students to integrate theory and practice through Case Study ; at the same time, it also allows the industry to observe each other and exchange experience to serve as a heritage.

- e-Learning

The Advantech e-Learning platform, created for imparting Advantech wisdom, core values and culture, delivering the company’s important news and events, and instructing professional knowledge and skills, allows employees around the world to find out Advantech's business philosophy and its corporate culture through online learning. Meanwhile, they are enabled to obtain the latest information according their own needs to learn, making learning free of geographical and time constraints, and they can learn simultaneously and communicate with colleagues all over the world; accessing information from all over the world in the exclusive field of knowledge effectively broadens Advantechers’ global perspective and knowledge profile and makes the most of the learning resources to reach the efficiency collaboration, integration & leverage. Listed below are the website contents:

- Advantech Philosophy:

  Impart Advantech wisdom, core values and culture to enable our employees around the world to enhance the corporate cultural identification and consensus.

- Business Leadership Model：

  Set forth the spirit, the knowledge profile, and the actual practices of Advantech Business Leadership Management Process.

- Professional courses:

  Offer various types of professional knowledge and skills training, expecting our employees will be more proficient at work.

- New employee Orientation:

  Provide a variety of policies and guidelines for the newcomers so that they will know well their work quickly.

- Advantech Scholar:

  It provides the information Advantechers must know, such as the interview articles of Advantech senior level managers, business cases in cooperation with professors, Advantech quarterly and Advantech abbreviation dictionary.

- Advantech Important Events：

  It provides videos and contents of the company's important activities, allowing employees around the world to know about the spirit and the meaning of Advantech important events.

■ Management LEAP Camp

In order to accelerate the cultivation of mid-level managers, Advantech has developed "Management LEAP Camp" through the design of branding to impart the culture and business philosophy unique to Advantech. This program allows the excellent mid-level managers to be involved in the company's decision-making on major issues, and executives and the elite will have more interactions so that the future leaders can be discovered.

Champion Program's two-stage course design has its strategic meaning from its content planning to the venue of course. In terms of the venue, in order to give the attendees a whole picture of the company's management, the stage-one course took place at the headquarters in Taipei, enabling the elite trainees to grasp the core values and culture of the headquarters in Taipei and improving the interaction between the trainees and senior-level managers；the stage-two course was held in Kunshan, China (Manufacturing and R&D Center). It aimed to make the trainees have a profound understanding and experience on the operations of value chain from product planning, development, sampling, to manufacturing.

The course planning adopted the approach of multi-faceted cultivation - Case Study, Study Group, Pre-Assignment, and Essay, and the contents are described as follows:

- Case Study- Studying the cases of Advantech major issues, the trainees discuss on the enhancement or the improvement of the issues with senior level managers and offer their suggestions to the company, enabling the trainees to take part in the operation.
- Study Group- (such as From A to A+, Kazuo Inamori's "Amoeba operating" concept)- By previewing the book, the trainees will understand the operator's business philosophy, and they will do the presentations in class to share their own views and interact with and learn from managers and other trainees.
- Pre-assignment- Through the Assignment, the trainees will learn about leadership and teamwork, expecting to enhance the trainees' team spirit by ways of Assignment and to make them understand all aspects of the company.
- Essay -At the end of stage-one course, Advantech's major issues will be presented in top-down and bottom-up manner, and during the development of their dissertations, the trainees are able to continuously discuss with senior level managers, the units related to the issues, and other trainees, offer the practicable action plan in response to the issues, and make the presentation in stage-two course. Through Essay, the trainees can participate in the company's decision-making, learn about how senior managers integrate and coordinate major issues, and establish practical experience；after the paper is published, the action plan in the Essay will be delivered to the responsible unit and have it executed faithfully and kept for record and control.

- Global Elite LEAP Camp

LEAP means Jump, signifying the hope that every trainee will make huge progress, and its symbolic connotation refers to" Learn," " Experience, "Alignment" & "Partnership". LEAP Camp will invite new employees from all over the world to Advantech headquarters every year, and the training of a five-day global camp aims to enhance the employees' professional knowledge and skills and make them experience Advantech's culture and core values, allowing them to interact and get into contact with the partners from the world so as to achieve global collaboration.

The course design of LEAP Camp is divided into Sales Track, Marketing Track, and AE Track in accordance of the duties of the trainees, and each Track's content focuses on the field of expertise in each Track, enabling the trainees to grow by way of LEAP Camp while experiencing Advantech's culture.

- Study Group

  Our CEO is convinced that "all supervisors can build the team consensus by reading a book together." Advantech Reading Club holds reading parties on a regular basis. Outside experts and scholars in the fields of business management, operational planning and others, or mid-to-senior level managers from the affiliated companies are invited to develop concepts and introduce innovative management concepts, which continually refines Advantech's management model and thus leads to the formation of key business strategy. As the prime directive of Advantech towards talent says," Right People on Bus-finding right people before deciding what to do," and this policy is quoted from the book, "Good to Great" written by Jim Collins.

- Temporary Coverage Assignment Program , TCAP

  In order to expand the Advantech elite's global perspective and experience, the company offers short-term and task-based overseas dispatch opportunities (dispatch rotation period ranging from 3 to 6 months) for the major, top-down, emerging markets, emerging opportunities. It gives employees the chance to face different challenges and grow. Through the variance of working environment and position, the talents will develop diverse international perspectives and acquire valuable experience by achieving the goal of the short-term task.

  The internal rotation and station assignment is also the best way to help build up the international perspective of the elites. Plan short-term TCAP program so that the personnel can develop a diversified international perspective through the change of working environment and job rotations in order to achieve the short-term assignment and gather valuable experience.

  For example, in 2019, the total amount invested in the education and training of staff was NT$70.34 million with an average of 92.22 hours training for each employee. The colleagues continue to grow as a person and career planning through the training program of the Company.

3. Retirement system and the status of its implementation, including the old system and the new system:

   (1)Old system: The employees who had reported to duty before June 30, 2005 may choose discretionally between the new system and old system. The Company in accordance with the provisions of the Labor Standards Law provides a retirement plan for all formal employees. According to the retirement plan, pension payment is paid in accordance with the average years of service and the average salary six months prior to the retirement. The Company has pension reserve appropriated monthly and has it handled by the Labor Pension Reserve Committee and then deposited in the name of the Committee with the Bank of Taiwan.

   (2) New system: The employees who have reported to duty since July 1, 2005 are subject to the new system, as well as the employees who had reported to duty before July 1, 2005 but chose to apply the new system. The Company has an amount equivalent to

6% of the monthly wages and salaries appropriated to the pension account of each employee. Employees may also set aside an amount equivalent to 0%-6% of the monthly wages and salaries discretionally to the pension account and the appropriated amount will be deducted from the monthly paycheck of the respective employee.

4. Agreement between employer and employees:

The Company upholds the concepts of “Unified employer and employee” and “Coexistence” and applies reasonable and humane management with an “Openness” method to establish a smooth communication channel, to maintain a good labor relation, to work together for higher productivity, to share profits, and to establish a stable and harmonious labor relation.

The Company has always upheld the principle of “fairness and impartiality” and “reasonableness and lawfulness” within the consideration of sentiment and legality to communicate and coordinate with the employees in recent years. Explain the difficulties and problems faced by the Company adequately and express the position and assertion of the Company. Respect each other and agree with each other so that both parties will be able to resolve disputes and improve labor relation with both parties treated fairly and justly. Therefore, the Company has never suffered any loss due to labor disputes; moreover, both parties are able to work together for professional development and labor welfare.

5. The protection measures for employee’s benefits:

The Company has Labor Welfare Committee and Labor Pension Reserve Committee established lawfully to plan, appropriate, reserve, and apply the benefit funds and pension reserves, and the matters regulated by the relevant law and regulations; also, has the employee’s benefits and welfare system implemented in accordance with the specifications.

(II) Labor/employer dispute loss incurred in the most recent year and up to the publication of the annual report; also, disclosing estimated current and future loss and its countermeasure: None

5.5 Important Contracts: None

VI. FINANCIAL INFORMATION

6.1 Condensed Balance Sheet, Income Statement, Name of the Auditors and Audit opinions with the last five years

(I) Condensed Balance Sheet and comprehensive Income Statement

Condensed Balance Sheets

Item \ Year		Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2020 (Note 2)
		2019	2018	2017	2016	2015	
Current Assets		27,474,067	25,366,573	23,200,572	21,181,711	18,085,746	29,003,001
Property, plant, and equipment		9,732,490	9,782,781	9,967,332	10,089,836	9,576,879	9,649,619
Intangible assets		980,061	1,102,323	1,124,407	1,317,440	227,686	948,506
Other assets		9,029,461	7,688,284	6,411,458	5,949,966	6,088,822	9,405,828
Total assets		47,216,079	43,939,961	40,703,769	38,538,953	33,979,133	49,006,954
Current Liabilities	Before distribution	11,744,458	12,146,590	11,046,661	11,435,611	9,242,530	17,615,958
	After distribution	17,207,656	16,897,719	15,647,075	15,423,978	13,033,648	Note 3
Noncurrent liabilities		2,740,161	2,249,896	1,896,668	1,716,445	1,282,826	2,751,145
Total liabilities	Before distribution	14,484,619	14,396,486	12,943,329	13,152,056	10,525,356	20,367,103
	After distribution	19,947,817	19,147,615	17,543,743	17,140,423	14,316,474	Note 3
Shareholder's equity attributable to parent company		32,235,638	29,298,039	27,581,074	25,213,582	23,307,501	28,157,620
Capital stock		7,004,100	6,986,955	6,972,825	6,330,841	6,318,531	7,008,700
Additional paid-in capital		7,478,568	7,073,348	6,554,842	6,058,884	5,587,555	7,616,628
Retained earnings	Before distribution	18,598,963	16,036,499	14,423,062	12,909,061	11,061,291	14,426,797
	After distribution	Note 3	11,285,370	9,822,648	8,920,694	7,270,173	Note 3
Other equity		(845,993)	(798,763)	(369,655)	(85,204)	340,124	(894,505)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		495,822	245,436	179,366	173,315	146,276	482,231
Total equity	Before distribution	32,731,460	29,543,475	27,760,440	25,386,897	23,453,777	28,639,851
	After distribution	Note 3	24,792,346	23,160,026	21,398,530	19,662,659	Note 3

Note 1: For the financial data with the IFRS adopted for less than five years, the financial data in Table (II) should be prepared in accordance with the Financial Accounting Standards of the R.O.C. The 2015~2019 financial data were audited by the CPA.

Note 2: The 2020Q1 financial data were reviewed by the CPA.

Note 3: The proposal for the distribution of the 2019 earnings is yet to be resolved in the shareholders' meeting.

Condensed Balance Sheet - Proprietary

Year / Item		Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2019
		2019	2018	2017	2016	2015	
Current assets		13,854,690	14,946,607	12,153,703	10,361,304	7,853,529	
Property, plant, and equipment		6,597,256	6,752,642	6,865,025	6,938,084	6,278,109	
Intangible assets		106,637	105,532	75,584	78,321	74,049	
Other assets		22,290,420	19,260,017	18,385,713	17,179,706	17,059,718	
Total assets		42,849,003	41,064,798	37,480,025	34,557,415	31,265,405	
Current liabilities	Before distribution	8,473,785	9,860,591	8,450,778	8,109,627	6,816,368	
	After distribution	13,936,983	14,611,720	13,051,192	12,097,994	10,607,486	
Noncurrent liabilities		2,139,580	1,906,168	1,448,173	1,234,206	1,141,536	
Total liabilities	Before distribution	10,613,365	11,766,759	9,898,951	9,343,833	7,957,904	
	After distribution	16,076,563	16,517,888	14,499,365	13,332,200	11,749,022	
Capital stock		7,004,100	6,986,955	6,972,825	6,330,841	6,318,531	
Additional paid-in capital		7,478,568	7,073,348	6,554,842	6,058,884	5,587,555	
Retained earnings	Before distribution	18,598,963	16,036,499	14,423,062	12,909,061	11,061,291	
	After distribution	Note 2	11,285,370	9,822,648	8,920,694	7,270,173	
Other equity		(845,993)	(798,763)	(369,655)	(85,204)	340,124	
Total equity	Before distribution	32,235,638	29,298,039	27,581,074	25,213,582	23,307,501	
	After distribution	Note 2	24,546,910	22,980,660	21,225,215	19,516,383	

Note 1: The 2015~2019 financial data were audited by the CPA.
Note 2: The proposal for the distribution of the 2019 earnings is yet to be resolved in the shareholders' meeting.

Condensed Income Statement

Item \ Year	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2020 (Note 2)
	2019	2018	2017	2016	2015	
Operating income	54,144,662	48,726,518	44,374,751	42,002,198	38,000,582	11,272,189
Gross Profit	21,099,362	18,663,448	17,380,958	17,117,549	15,344,990	4,395,235
Operating profit or loss	9,233,502	7,459,625	6,778,477	6,631,493	5,928,507	1,653,622
Non-Operating income and expense	74,378	527,090	755,066	465,872	361,028	(33,056)
Net income before tax	9,307,880	7,986,715	7,533,543	7,097,365	6,289,535	1,620,566
Net income of continuing operations	7,392,855	6,308,974	6,149,289	5,688,954	5,126,975	1,280,407
Net income	7,392,855	6,308,974	6,149,289	5,688,954	5,126,975	1,280,407
Other comprehensive profit and loss (net)	(93,275)	(481,668)	(307,450)	(465,097)	(598,879)	(53,664)
Total current comprehensive profit and loss	7,299,580	5,827,306	5,841,839	5,223,857	4,528,096	1,226,743
Net income attributable to parent company’s shareholders	7,351,220	6,289,993	6,156,516	5,666,862	5,104,346	1,294,665
Net income attributable to non-controlling equity	41,635	18,981	(7,227)	22,092	22,629	(14,258)
Total comprehensive profit and loss attributable to parent company’s shareholders	7,265,801	5,803,295	5,850,991	5,217,251	4,524,603	1,244,519
Total comprehensive profit and loss attributable to non-controlling equity	33,779	24,011	(9,152)	6,606	3,493	(17,776)
Earnings per share	10.51	9.01	8.84	8.15	8.08	1.85

Note 1: The 2020Q1 financial data were reviewed by the CPA.

Condensed Income Statement - Proprietary

Year / Item	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2020
	2019	2018	2017	2016	2015	
Operating income	36,632,047	35,382,776	30,900,577	30,501,099	28,995,652	
Gross profit	11,728,635	10,646,905	9,380,105	8,896,852	8,237,078	
Operating profit or loss	7,241,356	5,933,437	4,845,682	4,777,417	4,181,323	
Non-Operating income and expense	1,637,061	1,696,039	2,298,307	1,866,279	1,691,178	
Net income before tax	8,878,417	7,629,476	7,143,989	6,643,696	5,872,501	
Net income	7,351,220	6,289,993	6,156,516	5,666,862	5,104,346	
Other comprehensive profit and loss (net)	(85,419)	(486,698)	(305,525)	(449,611)	(579,743)	
Total current comprehensive profit and loss	7,265,801	5,803,295	5,850,991	5,217,251	4,524,603	
Earnings per share	10.51	9.01	8.84	8.15	8.08	

Note 1: The 2015~2019 financial data were audited by the CPA.

6.1.2 The name and opinion of the independent auditor within the last 5 year

Year	Name of CPA Firm	Name of CPAs (Certified Public Accountant)	Auditor's opinions
2019	Deloitte & Touche	CPA Jr Shian Ke / CPA Meng Chieh Chiu	Modified Unqualified opinion
2018	Deloitte & Touche	CPA Jr Shian Ke / CPA Meng Chieh Chiu	Modified Unqualified opinion
2017	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Jr Shian Ke	Modified Unqualified opinion
2016	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Chin Hsiang Chen	Modified Unqualified opinion
2015	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Chin Hsiang Chen	Modified Unqualified opinion

6.2 Financial Analysis within the last 5 years

(I) Financial Analysis - consolidated

Analysis item (Note 3)	Year (Note 1)	Financial analysis within the last 5 years 2019	2018	2017	2016	2015	As of March 31, 2020 (Note 2)
Finance structure (%)	Debt to assets ratio	30.68	32.77	31.80	34.13	30.98	41.56
	Long term funds to property, plant, and equipment ratio	364.47	324.96	297.54	268.62	258.30	325.31
Solvency(%)	Current ratio (%)	233.93	208.84	210.02	185.23	195.68	164.64
	Quick ratio (%)	161.80	142.31	149.48	132.00	138.06	108.93
	Interest coverage ratio	37,270.56	170,740.11	62,273.33	61,517.14	62,738.53	25,697.31
Operating ability	Receivables turnover (times)	6.30	6.01	5.83	6.09	6.16	5.35
	Accounts receivable collecting days	57.93	60.73	62.60	59.93	59.25	68.22
	Inventory turnover (times)	4.31	4.36	4.56	4.76	4.70	3.26
	Payables turnover (times)	6.23	5.42	5.26	6.06	7.09	5.45
	Average inventory turnover on sales	84.68	83.71	80.04	76.68	77.65	111.96
	Property, plant, and property turnover (times)	5.55	4.93	4.42	4.27	4.12	4.65
	Total asset turnover (times)	1.19	1.15	1.12	1.16	1.16	0.94
Profitability	Return on assets (%)	16.26	14.93	15.55	15.72	15.67	10.69
	Return on equity (%)	23.74	22.05	23.14	23.30	22.30	16.69
	Ratio of net income before tax to paid-in capital (%) (Note 7)	132.89	114.42	108.04	112.11	93.83	92.49
	Profit margin (%)	13.65	12.96	13.86	13.54	13.49	11.36
	Earnings Per Share (NT$)	10.51	9.02	8.84	8.15	8.08	1.85
Cash flow	Cash flow ratio (%)	52.75	61.13	27.26	70.08	63.88	-1.45
	Cash Flow Adequacy Ratio (%)	93.16	92.44	91.61	103.81	93.25	93.16
	Cash Flow Re-investment Ratio (%)	4.13	9.29	-3.49	17.16	9.36	-0.83
Leverage	Operating leverage	2.68	3.05	3.11	3.32	3.48	2.56
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity +Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Operating Income to Paid-in Capital Ratio= Operating Income / Paid-in Capital

(4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(5) Net Margin = Net Income / Net Sales

(6) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

Financial Analysis - Proprietary

Analysis item		Financial analysis within the last 5 years					
Year		2019	2018	2017	2016	2015	
Finance structure (%)	Debt to assets ratio	24.77	28.6	26.41	27.04	25.45	
	Long term funds to property, plant, and equipment ratio	521.05	461.77	422.86	381.20	389.43	
Solvency (%)	Current ratio (%)	163.50	151.58	143.82	127.77	115.22	
	Quick ratio (%)	120.12	114.32	111.85	103.42	89.78	
	Interest coverage ratio	387,296.55	23,133,857.58	-	159,689.14	-	
Operating ability	Receivables turnover (times)	5.32	5.27	5.27	5.71	5.67	
	Accounts receivable collecting days	68.60	69.25	69.25	63.92	64.37	
	Inventory turnover (times)	6.87	7.87	9.38	11.97	13.49	
	Payables turnover (times)	4.99	4.83	4.92	5.58	6.11	
	Average inventory turnover on sales	53.12	46.37	38.91	30.49	27.05	
	Property, plant, and property turnover (times)	5.49	5.2	4.48	4.62	4.99	
	Total asset turnover (times)	0.87	0.9	0.86	0.93	0.95	
Profitability	Return on assets (%)	17.53	16.03	17.09	17.23	16.81	
	Return on equity (%)	23.89	22.13	23.32	23.36	22.36	
	Ratio of net income before tax to paid-in capital (%) (Note 7)	126.76	109.26	102.45	104.94	92.94	
	Profit margin (%)	20.07	17.79	19.92	18.58	17.60	
	Earnings Per Share (NT$)	10.51	9.02	8.84	8.15	8.08	
Cash flow	Cash flow ratio (%)	67.72	48.72	39.96	64.88	67.97	
	Cash Flow Adequacy Ratio (%)	72.02	71.62	77.43	81.29	76.46	
	Cash Flow Re-investment Ratio (%)	2.84	0.64	-2.10	5.62	3.84	
Leverage	Operating leverage	3.05	3.55	3.89	4.10	4.46	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

*Glossary

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) /Average Total Assets

(2) Return on Equity = Net Income / Average Shareholders' Equity

(3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital

(4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(5) Net Margin = Net Income / Net Sales

(6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

6.3 Audit Committee’s Report for the Most Recent Year

Audit Committee’s Review Report

The Audit Committee has adopted the Company’s 2019 Financial Statements resolved by the Board of Directors. Deloitte & Touche was retained by the Board of Directors to audit the Company’s Financial Statements. Deloitte & Touche has completed the audit procedures and issued the audit report.

The Company’s 2019 Business Report and proposal for distribution of earnings submitted by the Board of Directors have also been reviewed by the Audit Committee and determined to be in conformity with the Company Act and related regulations. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, this report is hereby prepared.

Advantech Co., Ltd. 2020 Shareholders’ Meeting

Convener ： Benson Liu

March 06, 2020

6.4 Financial Statements of the most recent year: Please refer to above first attachment

6.5 The consolidated financial statements of the parent and subsidiary audited by the CPA in the most recent year : Please refer to above second attachment

6.6 Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company’s financial status: None

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Financial Conditions:

Unit: NT$ Thousand

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	27,474,067	25,366,573	2,107,494	8%
Property, plant, and equipment	9,732,490	9,782,781	(50,291)	(1%)
Intangible assets	980,061	1,102,323	(122,262)	(11%)
Other assets	9,029,461	7,688,284	1,341,177	17%
Total assets	47,216,079	43,939,961	3,276,118	7%
Current liabilities	11,744,458	12,146,590	(402,132)	(3%)
Noncurrent liabilities	2,740,161	2,249,896	490,265	22%
Total liabilities	14,484,619	14,396,486	88,133	1%
Capital stock	7,004,100	6,986,955	17,145	0%
Additional paid-in capital	7,478,568	7,073,348	405,220	6%
Retained earnings	18,598,963	16,036,499	2,562,464	16%
Other equity	(845,993)	(798,763)	(47,230)	6%
Non-controlling equity	495,822	245,436	250,386	102%
Total equity	32,731,460	29,543,475	3,187,985	11%

7.2 Analysis of Financial Status

Unit: NT$ Thousand

Year / Item	2019	2018	Increased or decreased amount	Ratio change (%)
Operating income	54,144,662	48,726,518	5,418,144	11.12%
Operating cost	33,045,300	30,063,070	2,982,230	9.92%
Gross profit	21,099,362	18,663,448	2,435,914	13.05%
Operating expense	11,865,860	11,196,049	662,037	5.91%
Operating profit	9,233,502	7,467,399	1,773,877	23.78%
Non-operating income and expense	74,378	527,090	(452,712)	(85.89)%
Net income before tax	9,307,880	7,994,489	1,321,165	16.54%
Income tax expense	1,915,025	1,677,741	237,284	14.14%
Net income	7,392,855	6,316,748	1,083,881	17.18%
Annual other comprehensive profit and loss (Net)	(93,275)	(492,463)	388,393	80.64%
Annual total comprehensive net income	7,299,580	5,824,285	1,472,274	25.27%
Net income attributable to the shareholder’s equity of the parent company	7,351,220	6,294,657	1,061,227	16.87%
Total comprehensive profit and loss attributable to the shareholder’s equity of the parent company	7,265,801	5,807,959	1,462,506	25.20%

7.3 Cash Flow

7.3.1 Liquidity Analysis within the last 2 years

Cash balance – beginning	Estimated annual net cash flow from operating activities	Estimated annual cash outflow	Cash balance (deficit) -	Contingency plans for insufficient cash	
				Investment plan	Financial Plan
6,633,161	6,195,469	(6,824,694)	6,003,936	--	--

7.3.2 Cash liquidity analysis for next year

Cash balance – beginning	Estimated annual net cash flow from operating activities	Estimated annual cash outflow	Cash balance (deficit) -	Contingency plans for insufficient cash	
				Investment plan	Financial Plan
6,003,936	7,124,776	(5,631,198)	7,497,514	--	--

7.4 The impact of material capital expenditure on financial business in the most recent year:

Project	Actual or intended financing	Actual or intended completion date	Total funds needed	Actual or intended use of funds			
				2018	2019	2020	2021
Plant purchase (construction) –Linkou Campus Phase 3	Equity fund	2021.12	1,050,000	-	630,000	210,000	210,000
Domestic reinvestment - HWACOM	Equity fund	2019.08	265,780		265,780	-	-
Domestic reinvestment - ITTS	Equity fund	2019.05	147,444		147,444	-	-

(I) Advantech Linkou Campus: In response to the global carbon reduction requirements and the development of networking technology, the Advantech Campus in Linkou was built into a pioneering experimental field of smarter buildings so as to realize the two iBuilding Solutions composed of intelligent energy management and intelligent space management.

7.5 Reinvestment policy in the most recent year, the reasons for profit or loss resulted, its improvement plan, and next year's investment plan:

Advantech adopts reinvestment of equity method with all focusing on long-term strategic purposes; in 2018, the profits of Advantech reinvestment of equity method reached NT$ 122,820, with an increase of NT$ 27,185 compared to the previous year, which resulted from the recognition of Axiomtek Co., Ltd. In the future, Advantech will hold the principle of long-term strategic investment and continue assessing carefully reinvestment plans.

7.6 Risk analysis and evaluation

(I) Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures:

The Company has sufficient proprietary capital and sound financial structure; therefore, is from the risk of increasing capital cost.

The capital planning is based on a conservative and sound principle with the focus on the security and mobility; also, regularly evaluate money market rates and financial information.

In terms of exchange rate, the Company has a clear foreign exchange policy stipulated; also, a strict control of the procedures is for hedging risk instead of adopting active operation to gain profits.

In terms of inflation, the main sales markets of the Company are without any sign of inflation in recent years, which has not significant impact on the Company's operations.

(II) Engage in the policies of high-risk, highly-leveraged investments, loaning of funds, endorsements and guarantees, and derivative transactions, the reasons for profit or loss resulted, and the future countermeasures:

The Company has each investment project evaluated prudently and handled in accordance with the "Procedures for the Acquisition and Disposal of Assets" and the limits of authority without engaging in any high-risk and highly-leveraged investments.

In terms of loaning of funds and making of endorsements/guarantees, it is mainly arranged for the subsidiaries and sub-subsidiaries of the Company; also, it is to be processed in accordance with the Company's "Procedures for Loaning of Funds" and "Procedures for Making of Endorsements/Guarantees."

In terms of financial derivatives, the purpose is to hedge the exchange rate risks arising from business operation; also, it is to be processed in accordance with the Company's "Procedures for the Trading of Financial Derivatives."

(III) Future R&D plans and the projected R&D investment:

1. Future R&D plans:

   Engage in the policies of high-risk, highly-leveraged investments, loaning of funds, endorsements and guarantees, and derivative transactions, the reasons for profit or loss resulted, and the future countermeasures:

   As a leading company of industrial PC, Advantech keeps increasing the capability of data acquisition and value-added software stack to drive the goal of digital transformation.Advantech is committed to developing AI edge inference integration solutions and an exclusive industrial one-stop training collaboration and deployment designed to help customers quickly and accurately build AI models. Meanwhile, we expand investment in the development WISE-PaaS industrial IoT data application platform. When combined with AI algorithms, the WISE-PaaS/AFS builds an effective inference engine with automatic deployment to edge computing platforms. It offers model accuracy management, model retraining, and automated redeployment. It offers automated model accuracy improvements and life-cycle management services.

2. The projected R&D investment: 8% of the annual turnover.

(IV) The impact of significant changes in domestic and foreign policies and law on the Company's financial operations and the countermeasures:

There had not any significant changes in domestic and foreign policies and law that had a significant impact on the Company in the most recent year. In addition to irregularly collect and assess the impact of significant changes in domestic and foreign policies and law on the Company's finance and business operation, the Company will consult relevant professionals to take countermeasures in a timely manner.

(V) The impact of changes in technology and industry on the Company's financial operations and the countermeasures:

As the IoT landscape is fragmented into various domains, Advantech is determined to decouple and refactory WISE-PaaS industrial IoT data application platform which allow to develop integratable industrial apps(I.Apps). Moreover, Advantech's WISE-PaaS Marketplace will evolve to become a trading platform for IIoT solutions, creating a marketplace for I.apps and offering a subscription service for customers, as well as a place where we invite ecosystem partners to upload and sell their solutions.

- Deconstructing the fundamental platform structure: Combine the latest technology trends with selected vertical industries to deconstruct the fundamental platform structure and generate big data to achieve the first level of digital transformation.
- Restructure industrial development with industrial apps and shared APIs: Allow various Industrial apps (I.App) within the WISE-PaaS platform to communicate and be shared with Industrial Software Developers to assist co-development of IoT solutions for vertical industries, thereby accelerating overall industrial development and advancement.
- Co-create an industrial ecosystem: WISE-PaaS Marketplace 2.0 is a trading platform for IIoT solutions that provide customers with subscription services for Industrial apps (I.App). The platform invites its ecosystem partners to launch their solutions via the platform and co-create a complete industrial ecosystem.

(VI) The impact of changes in corporate image on the crisis management of the Company and the countermeasures:

The Company is with a good corporate image. In addition to irregularly receive domestic and international juristic persons, technical symposium and corporate seminars are held on a regular basis to help the investors and customers understand the Company.

(VII) The expect benefit of initiating acquisition, the possible risks, and the countermeasures:

1. Advantech and its 100% owned subsidiary Advantech Japan (AJP) will own 50% and 30% stake respectively. OMRON Nohgata will be led by the current management team and will join Advantech's Embedded IoT Business Group in developing new products and integrating sales resources. With this acquisition, Advantech will effectively expand its embedded system market share in Japan and enhance the localized manufacturing services capability. Also Advantech envisions to further cooperate with OMRON Corporation in IoT platform.
2. Advantech subscribed shares from the Turkish Company Alitek and issued new shares, and Advantech held 60% of shares of Alitek.
3. The above acquisitions were all carefully assessed by the Board, the possible risks of which may include the overall recession in the market and the demand falling short of expectations. In response to the risks,

Advantech reduces costs by actively developing the innovative product technology and makes every effort to secure market share to maintain the stability of the company's revenue growth rate.

4. Lately and as of the date of printing the annual report, apart from the above matters, Advantech and its subsidiaries has had no other acquisition plans.

(VIII) The expected benefits of a plant expansion, the possible risks, and the countermeasures:

To fulfill business growth and keep the self-manufacturing strategy, we had built one new SMT line in Kunshan last year-end.This year, we would not built new SMT but will invest iFactory solutions include automation machine and software.

The new plant of Chassis factory will start to operate in the last-half year. Meanwhile, we also will purchase related equipment like NCT and Stamping press to increase mechanical productive capacity In conclusion, our planning with the area/factory can fulfill the growth for at least 5 years, and the investment of equipment will be according with products and business requirement, to ensure the balancing of business fulfillment and capacity stability.

(IX) Risks faced by the centralized purchase or sales and the countermeasures:

The Company’s main source of raw materials is from the well-known domestic and international manufacturers that have a good reputation and product quality; also, have maintained a stable relation of cooperation with the Company and provide a stable supply of raw materials. In terms of sales, the Company is a market leader in brand with a smooth sales channel I service; therefore, the Company is free of any risk from the centralized purchase and sale.

(X) The impact of the massive equity transfer or exchange by the directors, supervisors, or shareholders holding more than 10% shareholding on the Company, the risk, and the countermeasures: None

(XI) The impact of the changes in the ownership on the Company, the risk, and the countermeasures: None

(XII) For litigation or non-litigation events, the closed or in-pending material litigation, non-litigation, or administrative contentious events, which may have a significant impact on the shareholder’s equity or security price, of the Company, the Company’s directors, supervisors, President, responsible person, shareholders holding more than 10% shareholding, and the subsidiaries should be illustrated: None

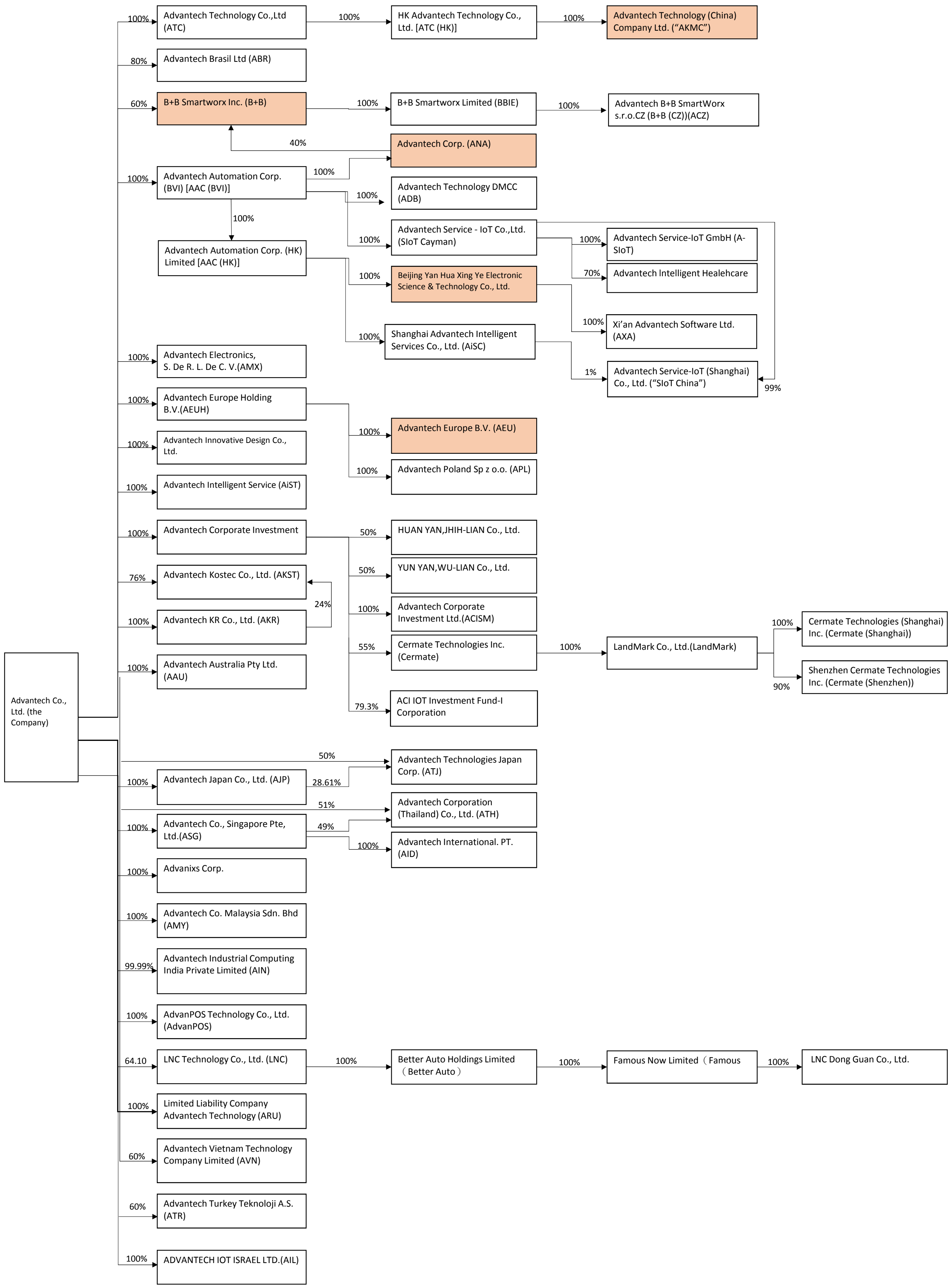
(XIII) Other important risks and countermeasures: None

VII. Other Important matters: None

8. Affiliated company's information

8.1 Affiliated company's Consolidated Business Report

Organization Chart of the Affiliated Companies



8.1.2 Basic information of affiliated companies

Unit: NT$ Thousand

No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items
01	Advanixs Corporation.	Jan. 2006	Taipei	NTD100,000	Manufacturing, marketing, and trade of industrial use PC
02	Advantech Corporate Investment	Feb. 2000	Taipei	NTD3,000,000	Investment in marketable securities
03	Advantech Co. Singapore Pte, Ltd. (ASG)	Dec. 1995	Techplace, Singapore	SGD1,450	Marketing and trade of industrial use PC
04	Advantech Japan Co.,Ltd. (AJP)	Sep. 1997	Tokyo, Japan	JPY60,000	Marketing and trade of industrial use PC
05	Advantech Australia Pty Ltd. (AAU)	Dec. 1994	Sydney, Australia	AUD500	Marketing and trade of industrial use PC
06	Advantech Co. Malaysia Sdn. Bhd (AMY)	Mar. 2006	Malaysia	MYR2,000	Marketing and trade of industrial use PC
07	Advantech Europe Holding B.V. (AEUH)	Dec. 1995	Helmond, The Netherlands	EUR25,961	Overseas investment of manufacturing and service industry
08	Advantech Technology Co., Ltd. (ATC)	Sep. 1998	British Virgin Islands	USD33,850	Marketing and trade of industrial use PC
09	Advantech Automation Corp.(AAC（BVI）)	Mar. 2000	British Virgin Islands	USD74,624	Overseas investment of manufacturing and service industry
10	Advantech Europe B.V.(AEU)	Jun. 1998	Helmond,The Netherlands	EUR32,315	Marketing and trade of industrial use PC
11	Advantech Poland Sp. z.o.o(APL)	Jan. 2006	Warsaw, Poland	PLZ1,000	Marketing and trade of industrial use PC
12	Advantech Technology (China) Company., Ltd.(AKMC)	Nov. 2000	Jiangsu Province	USD43,750	Marketing and trade of industrial use PC
13	Advantech Corporation. (ANA)	Aug. 1987	Sunnyvale, USA	USD11,139	Assembly, marketing, and trade of industrial use PC
14	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd. (ACN)	Apr. 1994	Beijing City	USD4,230	Marketing and trade of industrial use PC
15	Advantech Technology (HK) Co., Limited(ATC HK)	Apr. 2008	Hong Kong	USD57,891	Overseas investment of manufacturing and service industry
16	Advantech Automation Corp.(HK) Limited (AAC HK)	Dec. 2007	Hong Kong	USD15,230	Overseas investment of manufacturing and service industry
17	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sep. 2008	Shanghai City	USD8,000	Marketing and trade of industrial use PC
18	Xi'An Advantech Software Co., Ltd. (AXA)	Sep. 2008	Xi'an	USD1,000	Marketing and trade of industrial use PC
19	Advantech Brazil S/A (ABR)	Apr. 2000	Sao Paulo, Brazil	BRL4,444	Marketing and trade of industrial use PC
20	Advantech Intelligent Service.	Dec. 2009	Taipei City	NTD10,000	Marketing and trade of industrial use PC
21	Advantech KR Co., Ltd.	Feb. 2009	Seoul Korea	KRW300,000	Marketing and trade of industrial use PC
22	Advantech Service-IoT GmbH.(A-SIoT)	Oct. 1984	Munich, Germany	EUR512	The industrial on-board computer product design, R&D, sales, and trading
23	Cermate Technology Inc.	Mar. 2003	Taipei City	NTD100,000	Electronic Components Manufacturing Industry
24	Advantech Corporation (Thailand) Co., Ltd.	Aug. 2004	Thailand	THB10,000	The production and manufacturing of computer products

No.	Name	Establishing date	Address	Paid-in capital	Main Business or Production Items
25	LandMark Co., Ltd.	May. 2007	Samoa	USD977	Investment company
26	Cermate Technologies (Shanghai) Inc.	Aug. 2007	Shanghai City	RMB3,903	Networking Electronic Equipment for industrial use
27	Shenzhen Cermate Technologies Inc.	Nov. 2003	Shenzhen City	RMB2,000	The production of LCD touch screen, USB data cable, and industrial use PC
28	PT. Advantech International.(AID)	Mar.2012	Indonesia	USD300	Marketing and trade of industrial use PC
29	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Dec. 2012	India	INR40,000	Marketing and trade of industrial use PC
30	Advantech Electronics, S.De R.L.De C. (AMX)	Dec. 2012	Mexico	MXN2,057	Marketing and trade of industrial use PC
31	AdvanPOS Technology Co., Ltd.	Oct. 2005	New Taipei City	NT10,000	Manufacturing and trading of endpoint sales system
32	LNC Technology Co.,Ltd.	Aug. 2007	Taichung City	NT300,000	manufacturing and trading of controllers
33	Better Auto Holdings Limited	Sep. 2007	British Virgin Islands	USD7,900	Investment company
34	Famous Now Limited	--	British Virgin Islands	USD4,000	Investment company
35	LNC DONG GUAN CO., LTD	Sep. 2009	Dongguan City	USD4,000	The manufacturing and trading of controllers
36	Advantech Innovative Design Co., Ltd.	May.2015	Taipei City	NT10,000	product design
37	B+B SmartWorx Inc.(B+B)	1981	Delware,USA	USD384,111	Industrial network communication
38	B+B SmartWorx Limited(BBIE)	1981	Ireland	-	Industrial network communication
39	Advantech B+B SmartWorx s.r.o.CZ(ACZ)	1981	Czech Republic	-	Automatic control manufacturing
40	Advantech Technology DMCC. (ADB)	1981	Dubi	-	Industrial network communication
41	Kostec co.,Ltd. (AKST)	July,2003	Korea	KRW458,815	smart medical equipment manufacturing
42	Limited Liability Company Advantech Technology(ARU)	Jul.2018	Russia	RUB5,000	Marketing and trade of industrial use PC
43	Advantech Vietnam Technology Company Limited(AVN)	Mar.2018	Vietnam	VND13,500,000	Marketing and trade of industrial use PC
44	Yun Yan, Wu-Lian Co., Ltd.	Mar.2018	Taipei	NT10,000	Industrial equipment Networking in Greater China
45	Huan Yan, Jhih-Lian Co., Ltd.	Feb. 2018	Taipei	NT10,000	Combination of water treatment related technologies and Internet of Things applications
46	Advantech Service-IoT Co. Ltd. (SIoT(Cayman))	Jan. 2018	Cayman	USD50,000	Marketing and trade of industrial use PC
47	ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SIoT(China))	May.2018	Shanghai City	RMB15,000	Marketing and trade of industrial use PC
48	Advantech Technologies Japan Corp.(ATJ)	May.1966	Nogatashi, Japan	JPY300,000	Production and sale of electronic and mechanical devices
49	Advantech Turkey Teknoloji A.S. (ATR)	Sep.2011	Turkey	TRL435	Wholesale of computers and peripheral devices
50	ADVANTECH IOT ISRAEL LTD. (AIL)	Jul.2020	Israel	ILS1,000	Sale of industrial network communications systems
51	Advantech Intelligent Healehcare Co.,Ltd.(ATH)	Apr.2019	Taipei	NTD11,000	Service of software
52	ACI IOT Investment Fund-I Corporation	Jun.2019	Taipei	NTD300,000	Investment in marketable securities
53	Advantech Corporate Investment Ltd.(ACI)	Feb.2019	Samoa	USD583	General investment

8.1.3 The Company does not have any other affiliated companies with a presumed controlling and dependency relationship according to Article 369.3 of the Company Law.

8.1.4 The overall affiliated company's business operation covers the assembly of the computer,the marketing and sales, the trade of electronic control automation system equipment, the manufacturing, trade, and production of automation control equipment engineering, and the overseas investment of the service industry.
The division of labor among the affiliated companies is as follows:
A. Purchase of finished goods (including three-way trade)
B. Purchasing raw materials

8.1.5 Each affiliated company's Director, Supervisor, and President:

Unit: NT$ housand, except shareholding

No.	Company Name	Title	Name or representative	Shareholding: Shares or investment amount	Shareholding: Shareholding or investment ratio (%)
01	Advanixs Corporation.	Director	Representatives of Advantech: K.C. Liu , Miller Chang , Eric Chen	ACL holds 10,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
02	Advantech Corporate Investment .	Director	Representatives of Advantech: K.C. Liu, Mary Chang, Eric Chen	ACL holds 300,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
03	Advantech Co. Singapore Pte, Ltd. (ASG)	Director	Wesley Liu , Irene Foo	ACL holds 1,450,000 shares	100
04	Advantech Japan Co., Ltd. (AJP)	Director	K.C. Liu, Chaney Ho, Eric Chen	ACL holds 1,200 shares	100
		Supervisor	Mary Chang		
05	Advantech Australia Pty Ltd. (AAU)	Director	Wesley Liu , William Ho	ACL holds 500,204 shares	100
		President	Damian Justin Trubiano		
06	Advantech Co. Malaysia Sdn. Bhd (AMY)	Director	Wesley Liu , Elvin Ng	ACL holds 2,000,000 shares	100
07	Advantech Europe Holding B.V. (AEUH)	Director	K.C. Liu	ACL holds 25,961,250 shares	100
08	Advantech Technology Co., Ltd. (ATC)	Director	K.C. Liu	ACL holds 33,850,000 shares	100
09	Advantech Automation Corp. (AAC BVI)	Director	K.C. Liu	ACL holds 74,623,834 shares	100
10	Advantech Europe B.V.(AEU)	Director	K.C. Liu	AEUH holds 32,315,215 shares	100
11	Advantech Poland Sp. z.o.o(APL)	Director	Jeff Shih	AEUH holds 6,350 shares	100
12	Advantech Technology (China) Company., Ltd. (AKMC)	Director	K.C. Liu, Shun-Long Chen, Chaney Ho	ATC HK investment USD43,750	100
		Supervisor	Eric Chen		
		President	Jamie Lin		
13	Advantech Corporation. (ANA)	Director	K.C. Liu	AAC BVI holds 10,952,606 shares	100
		President	Ween Niu		
14	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd (ACN)	Director	K.C. Liu, Chaney Ho, Shih-Yang Tsai	AAC HK investment USD4,230	100
		President	Paul Lo		
15	HK Advantech Technology Co., Limited (ATC HK)	Director	K.C. Liu	ATC(BVI) holds 57,890,679 shares	100
16	Advantech Automation Corp.(HK) Limited. (AAC HK)	Director	K.C. Liu	AAC BVI holds 15,230,001 shares	100
17	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Director	K.C. Liu	AAC HK investment USD8,000	100
		Supervisor	Eric Chen		
		President	Chaney Ho		
18	Xi'An Advantech Software Co., Ltd.(AXA)	Director	K.C. Liu	ACN investment USD1,000	100
		Supervisor	shi.jun		
		President	Chaney Ho		
19	Advantech Brazil Ltda.(ABR)	Director	Mario Franco Neto to	AAC BVI holds 1,794,996 shares Mario Franco Neto Holds 448,749 shares	80 20

No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
20	Advantech Intelligent Service. (AiST)	Director	Representatives of Advantech: K.C. Liu, MC Chiang , Eric Chen	ACL holds 1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
21	Advantech KR Co., Ltd.	Director	K.C. Liu, Linda Tsai , Charlie Chung	ACL holds 600,000 shares	100
		Supervisor	Eric Chen		
22	Advantech Service-IoT GmbH. (A-SIoT)	Director	K.C. Liu, MC Chiang	SIoT-KY holds 1 share	100
		President	MC Chiang		
23	Cermate Technology Inc..	Director	Representatives of Advantech Corporate Investment.:Jonney Chang,Allan Tsai,Tony Liu Representative of Wen Xin International Investment Company:Sunny.Lee, Chris Chiang	ACI holds 5,500,000 shares	55
		Supervisor	Yuzhen Liu		
24	Advantech Corporation (Thailand) Co., Ltd.	Director	Wesley Liu ,Matrix Choong	ACL holds 51,000 shares ASG holds 49,000 shares	51 49
25	LandMark Co., Ltd.	Director	Yuling Liu	Cermate holds 972,284 shares	100
26	Cermate Technologies (Shanghai) Inc.	Director	Sunny.Lee	LandMark investment USD520	100
		Supervisor	Jun Shi		
27	Shenzhen Cermate Technologies Inc.	Director	Sunny.Lee	LandMark investment CNY1,800	90
		Supervisor	Chris Chiang		
28	PT. Advantech International.(AID)	Director	Wesley Liu ,Satish Allampalli	ASG holds 300,000 shares	100
29	Advantech Industrial Computing India Pvt. Ltd.(AIN)	Director	Wesley Liu ,Vijay Kumar	ACL holds 3,999,999 Shares ASG holds 1 Shares	99.99 0.01
30	Advantech Electronics, S.De R.L.De C. (AMX)	Director	Wesley Liu	ACL investment MXN2,057	100
31	AdvanPOS Technology Co., Ltd.	Director	Representative of Advantech: K.C. Liu, Mary Chang, Eric Chen	ACL holds 1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
32	LNC Technology Co., Ltd	Director	Michael Kuo,Ethan Huang, HSIEH,CHENG-HUI Representative of Advantech: K.C. Liu,Allan Tsai	ACL holds 19,230,000 shares	64.10
		Supervisor	Juana chiu, LIN, CHING-YUAN		
33	Better Auto Holdings Limited	Director	Michael Kuo	LNC holds7,900,000 shares	100
34	Famous Now Limited	Director	Michael Kuo	Better Auto investment USD4,000	100
35	LNC DONG GUAN CO., LTD.	Director	Michael Kuo ,K.C. Liu, Allan Tsai	Famous Now investment USD4,000	100
36	Advantech Innovative Design Co., Ltd.	Director	Representatives of Advantech: K.C. Liu ,Deryu Yin,Eric Chen	ACL holds1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
37	B+B SmartWorx Inc.(B+B)	Director	Jerry O'Gorman	ACL holds 230,467shares ANA holds 53,644shares	60 40
38	B+B SmartWorx Limited(BBIE)	Director	Jerry O'Gorman Marie O'Brien	B+B investment USD39,481	100

No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
39	Advantech B+B SmartWorx s.r.o.CZ(ACZ)	Director	Linda Tsai	BBIE investment CZK 300	100
		Supervisor	Pavel Pospisil		
40	Advantech Technology DMCC.(ADB)	Director	Uwe Hohmann Jerry O'Gorman	AAC(BVI) investment USD77	100
41	Kostec co.,Ltd. (AKST)	Director	MC Chiang , Frank Huang, Charlie Chung	ACL holds 69,740shares AKR holds 22,023shares	76 24
		President	Charlie Chung		
42	Limited Liability Company Advantech Technology(ARU)	Director	Olga Alioshina	ACL holds 1 shares	100
43	Advantech Vietnam Technology Company Limited(AVN)	Director	Vincent Chang, Eric Chen, Do Duc Hau	ACL holds 8,100 shares Do Duc Hau holds 5,400 shares	60 40
44	YUN YAN,WU-LIAN Co., Ltd.	Director	Representatives of Advantech Corporate Investment.: K.C.Liu, Allan Yang Representatives of Institute for Information Industry: Cheng Hong Cho	ACI holds 500,000 shared	50
		Supervisor	Po Jen ,Hsiao		
45	HUAN YAN,JHIH-LIAN Co., Ltd.	Director	Representatives of Advantech Corporate Investment.: ChingPo Lin, Tony Liu Representatives of Industrial Technology Investment Corporation: CJ CHANG	ACI holds 500,000 shared	50
		Supervisor	GIT Consultants Corporation		
46	Advantech Service-IoT Co. Ltd. (SIoT(Cayman))	Director	Advantech Automation Corp.	AAC(BVI) holds 30,000,000 shares	100
47	ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SIoT(China))	Director	K.C. Liu, MC Chiang ,Tony Liu	SIOT(KY) investment CNY14,850 AISC investment CNY150	99 1
		Supervisor	Paul Lo		
		President	MC Chiang		
48	Advantech Technologies Japan Corporation (ATJ)	Director	Takahiro Ishida,Miller Chang,Eugene Cheng、Vincent Chen,Seiji Takeda	ACL holds 500,000 shares AJP holds 286,100 shares	50 28.61
		Supervisor	Manami Doi		
49	Advantech Turkey Technology A.S. (ATR)	Director	Vincent Chang ,Eric Chen,Cem Celik	ACL holds 260,870 shares Cem Celik holds121,739 shares	60 28
50	ADVANTECH IOT ISRAEL LTD. (AIL)	Director	Wesley Liu、Ilan Bercovich	ACL holds 100 shares	100
51	Advantech Intelligent Healehcare Co.,Ltd. (ATH)	Director	Representatives of SIoT: MC Chiang , HS Su	SIOT(KY) holds 770,000 shares	100
		Supervisor	Tony Liu		
52	ACI IOT Investment Fund-I Corporation	Director	Representatives of ACI:. Tony Liu,Joseph Su, Eric Chen	ACI holds 23,800,000 shares	100
		Supervisor	May Tang		
53	Advantech Corporate Investment Ltd.(ACI)	Director	K.C. Liu	ACI holds 1 shares	100

8.1.6 Affiliated company's Operating Results

Unit: NT$ Thousand, Except Earnings per Share in NT$

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT$ (after tax)
01	Advanixs Corporation.	100,000	267,768	85,783	181,985	754,559	63,087	51,679	5.17
02	Advantech Corporate Investment .	3,000,000	3,340,601	4,500	3,336,101	1,961,179	37,208	117,185	0.39
03	Advantech Co. Singapore Pte, Ltd. (ASG)	33,800	241,244	113,175	128,069	501,261	20,914	34,421	23.74
04	Advantech Japan Co.,Ltd. (AJP)	21,480	663,269	238,142	425,127	1,332,421	71,279	86,841	72,367
05	Advantech Australia Pty Ltd. (AAU)	14,846	128,719	104,755	23,964	419,470	(995)	(2,754)	(5.51)
06	Advantech Co., Malaysia Sdn.Bhd (AMY)	18,138	88,751	24,104	64,647	248,918	31,446	22,846	11.42
07	Advantech Europe Holding B.V. (AEUH)	338,906	1,162,639	2,268	1,160,371	-	(586)	95,601	3.68
08	Advantech Technology Co., Ltd. (ATC)	1,009,108	4,012,935	-	4,012,935	-	(96)	389,123	11.50
09	Advantech Automation Corp. (AAC(BVI))	2,229,052	6,713,281	7,985	6,705,296	-	(1,310)	621,135	8.32
10	Advantech Europe B.V. (AEU)	1,138,092	2,810,648	1,729,706	1,080,942	7,578,020	143,753	91,760	2.84
11	Advantech Poland Sp z.o.o(APL)	10,145	46,719	12,628	34,091	135,366	9,533	4,426	697.06
12	Advantech Technology (China) Company., Ltd. (AKMC)	1,475,414	6,569,561	2,778,437	3,791,124	13,289,742	408,544	399,053	-
13	Advantech Corporation.(ANA)	337,232	5,035,191	2,236,428	2,798,763	14,798,280	349,473	149,171	13.62
14	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd.	164,856	3,795,792	2,359,483	1,436,309	11,774,771	242,470	288,328	-
15	Advantech Technology(HK) Co., Limited.(ATC HK)	1,790,224	4,011,123	-	4,011,123	-	-	389,218	6.72
16	Advantech Automation Corp.(HK) Limited (AAC HK)	461,088	2,133,001	40,382	2,092,619	131,554	2,883	283,286	18.60
17	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	252,065	638,737	7,679	631,058	56,295	(31,629)	(7,199)	-
18	Xi'An Advantech Software Co., Ltd. (AXA)	31,589	28,996	183	28,813	-	(809)	44	-
19	Advantech Brazil S/A. (ABR)	69,934	127,904	27,205	100,699	277,571	4,828	22,213	9.9
20	Advantech Intelligent Service. (AiST)	10,000	22,089	1,928	20,161	-	970	1,080	1.08
21	Advantech KR Co., Ltd.（AKR）	7,800	607,057	221,053	386,004	1,894,313	89,540	66,510	110.85
22	Advantech Service-IoT GmbH. (A-SIoT)	20,060	451,253	138,241	313,012	1,212,501	(11,278)	(16,344)	(16,344)
23	Cermate Technology Inc..	100,000	205,151	47,504	157,647	205,948	(1,992)	12,690	1.27
24	Advantech Corporation (Thailand）Co., Ltd. (ATH）	93,215	142,223	17,337	124,886	195,903	19,435	16,732	167.32
25	Land Mark(Land Mark)	27,057	110,881	-	110,881	-	-	17,219	17.71
26	Cermate Technologies (Shanghai) Inc.	18,760	32,949	4,256	28,693	38,606	4,401	4,064	-
27	Shenzhen Cermate Technologies Inc.	9,320	113,578	24,328	89,250	272,064	23,330	14,616	-

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT$ (after tax)
28	PT. ADVANTECH INTERNATIONAL (AID)	5,465	32,897	17,698	15,199	58,630	6,712	6,750	22.50
29	ADVANTECH INDUSTRIAL COMPUTING INDIA (AIN)	19,754	37,365	20,620	16,745	145,288	(266)	371	0.09
30	Advantech Electronics, S. De R. L. De C. (AMX)	2,047	854	183	671	7,271	451	451	-
31	AdvanPOS Technology Co.,Ltd.	10,000	84,073	1,910	82,163	-	(140)	(65)	(0.06)
32	LNC Technology Co., Ltd.	300,000	437,685	118,126	319,559	435,289	8,050	1,827	0.06
33	Better Auto Holdings Limited.(Better Auto)	244,615	30,442	-	30,442	-	-	2,672	0.34
34	Famous Now Limited. (Famous Now)	123,630	147,090	-	147,090	-	-	-	-
35	LNC DONG GUAN CO., LTD.	123,630	272,697	250,821	21,876	585,476	2,505	2,668	-
36	Advantech Innovative Design Co., Ltd.	10,000	10,169	74	10,095	-	(4)	50	0.05
37	B+B SmartWorx Inc.(B+B)	3,280,073	3,117,614	228,856	2,888,758	1,047,459	8,660	(2,985)	(7.77)
38	B+B SmartWorx Limited. (BBIE)	1,273,262	62,542	(3,698)	66,240	46,953	(16,285)	(14,304)	-
39	Advantech B+B SmartWorx s.r.o.CZ(ACZ)	-	295,789	25,994	269,795	346,496	37,842	21,765	-
40	B+B SmartWorx DMCC (ADB)	-	3,501	1,088	2,413	2,566	134,	122	-
41	Kostec co.,Ltd.(AKST)	12,435	85,367	118,267	(32,900)	23,002	(8,994)	(7,097)	(77.34)
42	Limited Liability Company Advantech Technology(ARU)	23,822	22,741	10,078	12,663	5,683	(17,371)	(10,718)	(10,718)
43	Advantech Vietnam Technology Company Limited(AVN)	17,550	53,266	29,141	24,125	131,659	5,201	4,190	310.39
44	YUN YAN,WU-LIAN Co., Ltd.	10,000	4,967	(218)	5,185	-	(974)	(946)	(0.95)
45	HUAN YAN,JHIH-LIAN Co., Ltd.	10,000	10,100	126	9,974	-	(783)	32	0.03
46	Advantech Service-IoT Co. Ltd. (SIoT(Cayman))	1,366,780	2,308,833	393,692	1,915,141	1,944,643	288,876	200,346	6.68
47	ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SIoT(China))	70,184	61,600	24,770	36,830	133,939	(23,086)	(22,364)	-
48	Advantech Technologies Japan Corp.(ATJ)	407,885	1,299,040	712,417	586,623	2,563,061	196,039	164,575	164.58
49	Advantech Turkey Teknoloji A.S.(ATR)	2,502	61,786	2,972	58,814	128,870	12,899	13,602	31.28
50	ADVANTECH IOT ISRAEL LTD.(AIL)	8,653	8,667	-	8,667	-	-	-	-
51	Advantech Intelligent Healehcare Co.,Ltd.	11,000	10,594	881	9,713	2,850	(1,296)	(1,288)	(1.17)
52	ACI IOT Investment Fund-I Corporation	300,000	321,425	3,496	317,929	214,384	10,185	17,930	0.60
53	Advantech Corporate Investment Ltd.(ACISM)	18,214	13,609	-	13,609	-	-	(3,751)	(3,751)

A. The companies to be included in the affiliate’s consolidated financial statements are same as the companies to be included in the parent company-subsidiary consolidated financial statements in accordance with Article 7 of the “Taiwan’s Financial Accounting Standards;” therefore, the affiliate’s consolidated financial statements will not be prepared separately.

B. The Company is not a subsidiary of other companies; therefore, it is not necessary to have the relationship report prepared.

8.2 The status of issuing private placement securities in the most recent year and up to the publication of the annual report: None

8.3. Acquisition or disposal of the Company’s stock shares by subsidiaries in the most recent year and up to the publication of the annual report: None

8.4 Other necessary supplementary notes: None

IX. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act that had significant impact on shareholders’ equity or securities prices in the most recent year and up to the publication of the annual report: None

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

<u>Sales Revenue</u>

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

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2020

Notice to Readers

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

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

ADVANTECH CO., LTD.

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

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

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

ADVANTECH CO., LTD.

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

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

(Continued)

ADVANTECH CO., LTD.

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

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

(Continued)

ADVANTECH CO., LTD.

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

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

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

ADVANTECH CO., LTD.

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

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

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

ADVANTECH CO., LTD.

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

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

(Continued)

ADVANTECH CO., LTD.

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

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

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

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

   1) IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

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

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

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

The Company also applies the following practical expedients:

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

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

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

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

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

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

The Company as lessor

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

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

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

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3) Amendments to IAS 1 and IAS 8 "Definition of material"

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

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

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

New IFRSs	**Effective Date Announced by IASB (Note)**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Business combinations

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

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

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

e. Foreign currencies

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

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

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

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

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

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

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

f. Inventories

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

g. Investment in subsidiaries

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

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

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

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

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

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

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

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

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

h. Investment in associates

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

n. Provisions

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

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

o. Revenue recognition

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

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

1) Revenue from sale of goods

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

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

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

2) Revenue from rendering services

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

p. Leases

<u>2019</u>

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

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

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

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

2018

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

1) The Company as lessor

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

2) The Company as lessee

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Employee share options

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Inventory write-downs

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

b. Impairment of goodwill included in the investments in subsidiaries

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

6. CASH AND CASH EQUIVALENTS

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

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Sell	EUR/NTD	2020.01-2020.04	EUR10,000/NTD338,535
	JPY/NTD	2020.01-2020.05	JPY380,000/NTD108,979
	RMB/NTD	2020.01-2020.03	RMB47,000/NTD201,967
	USD/NTD	2020.01-2020.02	USD4,000/NTD121,501
December 31, 2018			
Sell	EUR/NTD	2019.01-2019.04	EUR12,500/NTD444,766
	JPY/NTD	2019.01-2019.05	JPY380,000/NTD104,301
	RMB/NTD	2019.01-2019.04	RMB67,000/NTD295,236

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Investments in equity instruments at FVTOCI:

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

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

Trade Receivables

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

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

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

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

December 31, 2019

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

December 31, 2018

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

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

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

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

10. INVENTORIES

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

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

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

a. Investments in subsidiaries

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

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

(Continued)

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

(Concluded)

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

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

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

b. Investments in associates

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

Aggregate information of associates that are not individually material

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

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

12. PROPERTY, PLANT, AND EQUIPMENT

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

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

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

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

b. Lease liabilities - 2019

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

Discounted rate ranges of lease liabilities were as follows:

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

c. Other lease information

2019

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

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

2018

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

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

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

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

14. GOODWILL

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

15. OTHER LIABILITIES

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

Note: Including marketing expenses, and freight expenses.

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

17. EQUITY

a. Share capital

Ordinary shares

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

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

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

b. Capital surplus

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

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

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

c. Retained earnings and dividends policy

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

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

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

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

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

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

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

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

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

d. Special reserves

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

e. Other equity items

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

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

2) Unrealized gain or loss on Financial Assets at FVTOCI

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

3) Unearned employee benefits

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

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

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

b. Depreciation and amortization

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

c. Employee benefits expense

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

d. Employees' compensation and remuneration of directors

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

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

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

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

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

e. Gains or losses on foreign currency exchange

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

19. INCOME TAXES

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

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

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

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

For the year ended December 31, 2018

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

(Continued)

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

(Concluded)

e. Income tax assessments

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

20. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net Profit for the Year

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

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

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

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

21. SHARE-BASED PAYMENT ARRANGEMENTS

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2019		**2018**	
Employee Share Options	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	15,965	$143.64	9,378	$ 95.15
Options granted	-	-	8,000	202.50
Options exercised	(1,715)	81.91	(1,413)	83.78
Balance at December 31	14,250	149.88	15,965	143.64
Options exercisable, end of the year	6,250	82.54	7,965	84.53
Weighted-average fair value of options granted (NT$)	$ -		$ 49.15	

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

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

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

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

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

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

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

22. GOVERNMENT GRANTS

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

23. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

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

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

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

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

24. DISPOSAL OF SUBSIDIARIES - LOSS OF CONTROL

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

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

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

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

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

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

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

26. CAPITAL MANAGEMENT

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

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

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

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

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2019

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

December 31, 2018

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

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

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

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

b. Categories of financial instruments

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

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

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

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

	U.S. Dollar Impact		**Euro Impact**		**Renminbi Impact**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit or loss	$ 111,117 (Note 1)	$ 109,243 (Note 1)	$ 51,170 (Note 2)	$ 46,489 (Note 2)	$ 60,436 (Note 3)	$ 30,037 (Note 3)

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

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

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

b) Interest rate risk

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

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

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

Sensitivity analysis

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

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

c) Other price risk

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

Sensitivity analysis

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

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

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

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

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities:

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

December 31, 2018

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

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

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

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

December 31, 2019

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

December 31, 2018

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

c) Financing facilities

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

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

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

(Continued)

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

(Concluded)

b. Sales of goods

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

c. Purchases of goods

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

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

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

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

e. Other receivables from related parties

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

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

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

The outstanding trade payables to related parties are unsecured.

g. Other payable from related parties

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

h. Acquisitions of property, plant and equipment

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

i. Other transactions with related parties

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

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

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

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

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

k. Compensation of key management personnel

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

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

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

(Continued)

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

(Concluded)

December 31, 2018

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

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

30. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

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

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Transactions of financial instruments. (Notes 7 and 27)

10) Name, locations, and other information of investees. (Table 7)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gains or losses, carrying amount of the investment at the end of the period, repatriations investment gains, and limit on the amount of investment in the mainland China area. (Table 8)

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

TABLE 1

ADVANTECH CO., LTD. AND INVESTEES

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

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

Note A: Investee companies are numbered sequentially from 1.

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

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

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

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

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

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

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

TABLE 2

ADVANTECH CO., LTD. AND INVESTEES

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

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

(Continued)

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

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

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

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

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

(Concluded)

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

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

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

(Continued)

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

(Continued)

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

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

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEES

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

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

TABLE 5

ADVANTECH CO., LTD. AND INVESTEES

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

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

(Continued)

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

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

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

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

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

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

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

(Continued)

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

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

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

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

(Continued)

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

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

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

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

Note C: Remittance by ACN.

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

(Continued)

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

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

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

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

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

(Concluded)

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ADVANTECH CO., LTD.

By:

____

K. C. LIU
Chairman

March 6, 2020

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

Assessment of Provisions for Inventory Write-downs

Inventories as of December 31, 2019 amounted to NT$7,782,824 thousand and accounted for 17% of the total assets in the Group's consolidated financial statements, which represented a material percentage of the total assets.

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

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

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

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

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

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

Sales Revenue

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

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

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

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

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

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

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

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2020

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

The accompanying 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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2019		2018 (Audited after Restatement)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 6,003,936	13	$ 6,633,161	15
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	3,749,119	8	2,098,552	5
Financial assets at amortized cost - current (Notes 4, 9 and 32)	316,994	1	157,426	1
Notes receivable (Notes 4 and 10)	1,546,340	3	1,461,404	3
Trade receivables (Notes 4 and 10)	7,265,106	15	6,870,878	16
Trade receivables from related parties (Note 33)	20,174	-	18,969	-
Other receivables (Note 33)	101,407	-	45,956	-
Inventories (Notes 4, 5 and 11)	7,782,824	17	7,557,820	17
Other current assets (Notes 5, 18, 20 and 33)	688,167	1	522,407	1
Total current assets	27,474,067	58	25,366,573	58
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	1,639,321	4	1,300,267	3
Investments accounted for using the equity method (Notes 4 and 13)	3,009,860	6	2,431,522	6
Property, plant and equipment (Notes 4, 14 and 34)	9,732,490	21	9,782,781	22
Right-of-use assets (Notes 3, 4 and 15)	723,106	2	-	-
Goodwill (Notes 4, 5 and 16)	2,519,514	5	2,836,466	6
Other intangible assets (Notes 4, 5 and 17)	980,061	2	1,102,323	2
Deferred tax assets (Notes 4 and 24)	690,212	1	501,260	1
Prepayments for business facilities	389,221	1	273,386	1
Long-term prepayments for leases (Note 18)	-	-	297,665	1
Other non-current assets	58,227	-	47,718	-
Total non-current assets	19,742,012	42	18,573,388	42
TOTAL	$ 47,216,079	100	$ 43,939,961	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 250,678	1	$ 87,581	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	521	-	6,139	-
Notes payable and trade payables (Notes 4 and 33)	4,799,196	10	5,810,904	13
Other payables (Notes 20 and 33)	3,732,224	8	3,662,199	8
Current tax liabilities (Notes 4 and 24)	1,522,874	3	1,611,886	4
Short-term warranty provisions	208,611	1	196,782	1
Lease liabilities - current (Notes 3, 4 and 15)	199,493	-	-	-
Current portion of long-term borrowings (Notes 19 and 34)	7,957	-	9,626	-
Other current liabilities	1,022,904	2	761,473	2
Total current liabilities	11,744,458	25	12,146,590	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 34)	36,132	-	45,784	-
Deferred tax liabilities (Notes 4 and 24)	1,942,189	4	1,798,914	4
Lease liabilities - non-current (Notes 3, 4 and 15)	242,263	1	-	-
Net defined benefit liabilities (Notes 4 and 21)	384,914	1	255,545	1
Other non-current liabilities	134,663	-	149,653	-
Total non-current liabilities	2,740,161	6	2,249,896	5
Total liabilities	14,484,619	31	14,396,486	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)				
Share capital				
Ordinary shares	6,999,230	15	6,982,275	16
Advance receipts for share capital	4,870	-	4,680	-
Total share capital	7,004,100	15	6,986,955	16
Capital surplus	7,478,568	16	7,073,348	16
Retained earnings				
Legal reserve	6,285,079	13	5,655,613	13
Special reserve	798,763	2	369,655	1
Unappropriated earnings	11,515,121	24	10,011,231	23
Total retained earnings	18,598,963	39	16,036,499	37
Other equity				
Exchange differences on translating the financial statements of foreign operations	(878,261)	(2)	(475,245)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	30,970	-	(324,254)	(1)
Other equity - unearned stock-based employee compensation	1,298	-	736	-
Total other equity	(845,993)	(2)	(798,763)	(2)
Total equity attributable to owners of the Company	32,235,638	68	29,298,039	67
NON-CONTROLLING INTERESTS	495,822	1	245,436	-
Total equity	32,731,460	69	29,543,475	67
TOTAL	$ 47,216,079	100	$ 43,939,961	100

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2019		2018 (Audited after Restatement)	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 33)				
Sales	$ 52,920,615	98	$ 47,495,030	97
Other operating revenue	1,224,047	2	1,231,488	3
Total operating revenue	54,144,662	100	48,726,518	100
OPERATING COSTS (Notes 11, 21, 23 and 33)	33,045,300	61	30,063,070	62
GROSS PROFIT	21,099,362	39	18,663,448	38
OPERATING EXPENSES (Notes 21, 23 and 33)				
Selling and marketing expenses	5,088,059	9	4,781,843	10
General and administrative expenses	2,542,918	5	2,405,235	5
Research and development expenses	4,223,422	8	3,997,313	8
Expected credit loss	11,461	-	19,432	-
Total operating expenses	11,865,860	22	11,203,823	23
OPERATING PROFIT	9,233,502	17	7,459,625	15
NON-OPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 13)	122,820	-	95,635	-
Interest income	45,498	-	38,789	-
Gains on disposal of property, plant and equipment	38,558	-	80,439	-
Gains (losses) on disposal of investments (Note 29)	(20,934)	-	8,012	-
Foreign exchange gains (losses), net (Notes 23 and 35)	(94,600)	-	16,956	-
Impairment losses (Notes 16 and 17)	(386,153)	(1)	-	-
Gains on financial instruments at fair value through profit or loss (Note 7)	169,157	1	59,322	-
Dividend income	100,197	-	106,315	-
Other income (Notes 27 and 33)	156,188	-	173,002	1
Finance costs (Note 23)	(25,041)	-	(4,685)	-
Losses on financial instruments at fair value through profit or loss (Note 7)	(25,305)	-	(39,710)	-
Other losses	(6,007)	-	(6,985)	-
Total non-operating income	74,378	-	527,090	1

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2019		2018 (Audited after Restatement)	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE INCOME TAX	$ 9,307,880	17	$ 7,986,715	16
INCOME TAX EXPENSE (Note 24)	(1,915,025)	(4)	(1,677,741)	(3)
NET PROFIT FOR THE YEAR	7,392,855	13	6,308,974	13
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 13, 21, 22 and 24):				
Remeasurement of defined benefit plans	(15,057)	-	(20,858)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	21,934	-	(14,942)	-
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	307,604	1	(445,333)	(1)
Income tax relating to items that will not be reclassified	3,012	-	6,316	-
Items that may be reclassified subsequently to profit or loss (Notes 13, 22 and 24):				
Exchange differences on translating the financial statements of foreign operations	(489,250)	(1)	(19,660)	-
Share of the other comprehensive losses of associates	(22,272)	-	(11,074)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	100,754	-	23,883	-
Other comprehensive loss for the year, net of income tax	(93,275)	-	(481,668)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 7,299,580	13	$ 5,827,306	12
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 7,351,220	14	$ 6,289,993	13
Non-controlling interests	41,635	-	18,981	-
	$ 7,392,855	14	$ 6,308,974	13

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2019		2018 (Audited after Restatement)	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 7,265,801	13	$ 5,803,295	12
Non-controlling interests	33,779	-	24,011	-
	$ 7,299,580	13	$ 5,827,306	12
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
Basic	$ 10.51		$ 9.01	
Diluted	$ 10.37		$ 8.92	

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company														
	Issued Capital (Notes 22 and 26)				Retained Earnings (Note 22)				Other Equity (Note 22)						
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 22, 26 and 30)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating of the Financial Statements of Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-based Employee Compensation	Total	Non-controlling Interests (Notes 22, 28 and 30)	Total Equity
BALANCE AT JANUARY 1, 2018	$ 6,970,325	$ 2,500	$ 6,972,825	$ 6,554,842	$ 5,039,962	$ 85,204	$ 9,297,896	$ 14,423,062	$ (463,479)	$ 93,824	$ -	$ -	$ 27,581,074	$ 179,366	$ 27,760,440
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(34,002)	(34,002)	-	(93,824)	123,254	-	(4,572)	-	(4,572)
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	6,972,825	6,554,842	5,039,962	85,204	9,263,894	14,389,060	(463,479)	-	123,254	-	27,576,502	179,366	27,755,868
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,600,414)	(4,600,414)	-	-	-	-	(4,600,414)	-	(4,600,414)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,795)	(10,795)
Recognition of employee share options by the Company	11,950	2,180	14,130	104,246	-	-	-	-	-	-	-	-	118,376	-	118,376
Compensation costs recognized for employee share options	-	-	-	341,624	-	-	-	-	-	-	-	-	341,624	-	341,624
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	2,660	-	-	-	-	-	-	-	736	3,396	-	3,396
Associates using the equity method	-	-	-	-	-	-	(14,716)	(14,716)	-	-	-	-	(14,716)	-	(14,716)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	70,716	-	-	-	-	-	-	-	-	70,716	52,048	122,764
Employee share options distributed by subsidiaries	-	-	-	(740)	-	-	-	-	-	-	-	-	(740)	806	66
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	6,289,993	6,289,993	-	-	-	-	6,289,993	18,981	6,308,974
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(15,687)	(15,687)	(11,766)	-	(459,245)	-	(486,698)	5,030	(481,668)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	6,274,306	6,274,306	(11,766)	-	(459,245)	-	5,803,295	24,011	5,827,306
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(11,737)	(11,737)	-	-	11,737	-	-	-	-
BALANCE AT DECEMBER 31, 2018 AS RESTATED	6,982,275	4,680	6,986,955	7,073,348	5,655,613	369,655	10,011,231	16,036,499	(475,245)	-	(324,254)	736	29,298,039	245,436	29,543,475
Appropriation of the 2018 earnings															
Legal reserve	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	-	(4,751,129)	-	(4,751,129)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,039)	(14,039)
Recognition of employee share options by the Company	16,955	190	17,145	123,291	-	-	-	-	-	-	-	-	140,436	-	140,436
Compensation costs recognized for employee share options	-	-	-	295,427	-	-	-	-	-	-	-	-	295,427	-	295,427
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	(15,529)	-	-	-	-	-	-	-	562	(14,967)	-	(14,967)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	1,657	-	-	-	-	-	-	-	-	1,657	230,693	232,350
Changes in percentage of ownership interests in subsidiaries	-	-	-	374	-	-	-	-	-	-	-	-	374	(47)	327
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	7,351,220	7,351,220	-	-	-	-	7,351,220	41,635	7,392,855
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(13,258)	(13,258)	(403,016)	-	330,855	-	(85,419)	(7,856)	(93,275)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	7,337,962	7,337,962	(403,016)	-	330,855	-	7,265,801	33,779	7,299,580
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(24,369)	(24,369)	-	-	24,369	-	-	-	-
BALANCE AT DECEMBER 31, 2019	$ 6,999,230	$ 4,870	$ 7,004,100	$ 7,478,568	$ 6,285,079	$ 798,763	$ 11,515,121	$ 18,598,963	$ (878,261)	$ -	$ 30,970	$ 1,298	$ 32,235,638	$ 495,822	$ 32,731,460

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2019	2018 (Audited after Restatement)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 9,307,880	$ 7,986,715
Adjustments for:		
Depreciation expenses	807,586	567,706
Amortization expenses	210,206	191,482
Amortization expenses of prepayments for leases	-	8,844
Expected credit loss recognized	11,461	19,432
Net gain on financial assets or liabilities at fair value through profit or loss	(143,852)	(19,612)
Compensation costs of employee share options	295,427	341,624
Finance costs	25,041	4,685
Interest income	(45,498)	(38,789)
Dividend income	(100,197)	(106,315)
Share of profit of associates accounted for using the equity method	(122,820)	(95,635)
Net gain on disposal of property, plant and equipment	(38,558)	(80,439)
Impairment loss	386,153	-
Net loss on disposal of subsidiaries	21,619	-
Net gain on disposal of investments	(685)	(8,012)
Changes in operating assets and liabilities		
Financial assets held for trading	-	967,642
Financial assets at fair value through profit or loss	(1,603,672)	-
Notes receivable	(84,936)	(205,623)
Trade receivables	201,893	(278,370)
Trade receivables from related parties	(1,205)	(4,902)
Other receivables	(53,956)	29,342
Inventories	215,450	(1,310,932)
Other current assets	(171,757)	(76,001)
Notes payable and trade payables	(1,440,290)	510,358
Net defined benefit liabilities	(7,878)	(2,538)
Other payables	32,585	(3,165)
Short-term warranty provisions	11,829	15,807
Other current liabilities	244,579	84,143
Other non-current liabilities	(14,508)	2,940
Cash generated from operations	7,941,897	8,500,387
Interest received	45,498	38,789
Dividends received	100,197	106,315
Interest paid	(6,865)	(3,093)
Income tax paid	(1,885,258)	(1,198,350)
Net cash generated from operating activities	6,195,469	7,444,048

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2019	2018 (Audited after Restatement)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$ (37,354)	$ (41,168)
Disposal of financial assets at amortized cost	(165,161)	(116,998)
Acquisition of investments accounted for using the equity method	(497,232)	(1,081,527)
Net cash flow on the acquisition of subsidiaries	(542,156)	(60,322)
Net cash outflow on disposal of subsidiaries (net of carrying amount of cash)	(81)	-
Dividends received from associates	117,774	146,250
Net cash inflow on disposal of associates	830	-
Payments for property, plant and equipment	(938,035)	(574,229)
Proceeds from disposal of property, plant and equipment	443,132	189,061
Decrease in refundable deposits	(10,271)	(2,151)
Payments for intangible assets	(153,608)	(123,894)
Decrease in prepayments for equipment	(23,652)	(116,865)
Net cash used in investing activities	(1,805,814)	(1,781,843)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	56,506	79,481
Repayments of long-term borrowings	(9,270)	(54,245)
Decrease in guarantee deposits received	(561)	-
Payments of cash dividends	(4,751,129)	(4,600,414)
Payment of the principal portion of lease liabilities	(221,264)	-
Exercise of employee share options	140,436	118,376
Dividends paid to non-controlling interests	(14,039)	(10,795)
Increase in non-controlling interests	71,557	104,910
Net cash used in financing activities	(4,727,764)	(4,362,687)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(291,116)	129,424
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(629,225)	1,428,942
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,633,161	5,204,219
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 6,003,936	$ 6,633,161

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

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 board of directors on March 6, 2020.

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

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

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

   1) IFRS 16 "Leases"

      IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      Definition of a lease

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

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Prepaid lease payment for acquiring land use right in China is recognized as long-term prepaid lease. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

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

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

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

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

The Group as lessor

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

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

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

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

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

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

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

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assesses the significant impact that the application of other standards and interpretations will have no significant influence on the Company's financial position and financial performance.

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

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

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

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

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

1) Amendments to IFRS 3 "Definition of a Business"

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

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

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

3) Amendments to IAS 1 and IAS 8 "Definition of material"

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

The amendments stipulate that, when the 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 or joint control, 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.

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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

e. Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation that does not result in the Company losing control over the subsidiary, all of the exchange differences accumulated in equity in respect of that operation are reclassified to non-controlling interest rather than profit or loss.

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

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence.

The Group uses the equity method to account for its investments in associates.

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

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

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

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

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

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

<u>2018</u>

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

<u>2018</u>

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss (including any interest or dividend paid on such financial liabilities). Fair value is determined in the manner described in Note 32.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

n. Provisions

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

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

o. Revenue recognition

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

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

1) Revenue from sale of goods

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

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

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

2) Revenue from rendering of services

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

p. Leasing

<u>2019</u>

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

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

<u>2018</u>

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

1) The Group as lessor

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

2) The Group as lessee

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

q. Government grants

Government grants are not recognized until there is reasonable assurance that the 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 become receivable.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Employee share options

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

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

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

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

b. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 141,615	$ 76,179
Checking accounts and demand deposits	4,744,550	5,350,844
Cash equivalents (time deposits with original maturities less than three months)	1,117,771	1,206,138
	$ 6,003,936	$ 6,633,161

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

	December 31	
	2019	**2018**
Demand deposits	0.0001%-9.5%	0%-6.5%
Time deposits with original maturities of less than three months	0.93%-5.2%	1.0%-5.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 9,320	$ 5,198
Non-derivative financial assets		
Domestic quoted shares	118,392	202,622
Foreign quoted shares	50,157	5,270
Foreign unquoted shares	101,156	-
Mutual funds	3,470,094	1,885,462
	$ 3,749,119	$ 2,098,552
Financial liabilities at FVTPL - current		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 521	$ 6,139

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Sell	EUR/NTD	2020.01-2020.05	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
December 31, 2018			
Sell	EUR/NTD	2019.01-2019.04	EUR12,600/NTD448,286
	EUR/USD	2019.01-2019.02	EUR400/USD459
	JPY/NTD	2019.01-2019.05	JPY380,000/NTD104,301
	RMB/NTD	2019.01-2019.04	RMB67,000/NTD295,236

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31 2019	December 31 2018
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 1,639,321	$ 1,300,267

Investments in equity instruments at FVTOCI:

	December 31	
	2019	**2018**
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ASUSTek Computer Inc.	$ 1,097,185	$ 955,001
Ordinary shares - Allied Circuit Co., Ltd.	392,306	226,501
Unlisted shares		
Ordinary shares - BoardTec System Inc.	3,917	3,879
Ordinary shares - BiosenseTek Corp.	-	-
Ordinary shares - Juguar Technology	4,949	4,743
Ordinary shares - Taiwan DSC PV Ltd.	-	-
Ordinary shares - iSAP Solution Corp.	9,994	-
	1,508,351	1,190,124
Foreign investments		
Shanghai Sangchuang Xinwei Investment Management Co., Ltd.	129,150	107,328
JamaPro Co., Ltd.	1,820	2,815
	130,970	110,143
	$ 1,639,321	$ 1,300,267

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	**2018**
Current		
Domestic investments		
Time deposits with original maturities of more than 3 months	$ 316,994	$ 157,426

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.2%-5.2% and 0.2%-2.3% per annum as of December 31, 2019 and 2018, respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31 2019	December 31 2018
Notes receivable - operating	$ 1,546,340	$ 1,461,404
Trade receivables		
At amortized cost		
Gross carrying amount	$ 7,352,407	$ 6,958,369
Less: Allowance for impairment loss	(87,301)	(87,491)
	$ 7,265,106	$ 6,870,878

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 all trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable, 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 proposed a full amount of impairment loss, 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.

December 31, 2019

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.15%	0.2%	28.89%	70.55%	100%	-
Gross carrying amount	$ 5,860,824	$ 1,354,411	$ 82,778	$ 8,755	$ 45,639	$ 7,352,407
Loss allowance (Lifetime ECL)	(8,890)	(2,681)	(23,914)	(6,177)	(45,639)	(87,301)
Amortized cost	$ 5,851,934	$ 1,351,730	$ 58,864	$ 2,578	$ -	$ 7,265,106

December 31, 2018

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.41%	0.14%	31.39%	69.02%	100%	-
Gross carrying amount	$ 5,358,360	$ 1,488,386	$ 53,879	$ 34,029	$ 23,715	$ 6,958,369
Loss allowance (Lifetime ECL)	(21,319)	(2,056)	(16,913)	(23,488)	(23,715)	(87,491)
Amortized cost	$ 5,337,041	$ 1,486,330	$ 36,966	$ 10,541	$ -	$ 6,870,878

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 87,491	$ 90,455
Add: Amount of expected loss recognized on credit impairment (a)	11,461	19,432
Less: Amounts written off (b)	(9,227)	(21,605)
Business combinations	(35)	-
Foreign exchange gains and losses	(2,389)	(791)
Balance at December 31	$ 87,301	$ 87,491

a. Compared to January 1, 2019 and 2018, the increase in loss allowance of $394,038 thousand and $271,884 thousand at December 31, 2019 and 2018, respectively, resulted from the increase in new trade receivables net of those settled of $11,461 thousand and $19,432 thousand, respectively.

b. During the year ended December 31, 2019 and 2018, the Group wrote off trade receivables and related loss allowance of $9,227 and $21,605, respectively, due to the fact that some customers' trade receivables were over 2 years past due, and the Group continued to engage in enforcement activity to attempt to recover the receivables due.

11. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 3,235,906	$ 3,773,265
Work in process	1,803,484	1,533,978
Finished goods	1,987,600	1,531,644
Inventories in transit	755,834	718,933
	$ 7,782,824	$ 7,557,820

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2019 and 2018 were $32,511,398 thousand and $29,631,016 thousand, respectively.

The costs of inventories decreased by $821,488 thousand and $630,341 thousand as of December 31, 2019 and 2018, respectively, when stated at the lower of cost or net realizable value.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2019	2018	Remark
The Company	Advantech Automation Corp. (AAC (BVI))	Investment and management services	100.00	100.00	
	Advantech Technology Co., Ltd (ATC)	Sale of industrial automation products	100.00	100.00	
	Advanixs Corporation	Production and sale of industrial automation products	100.00	100.00	
	Advantech Corporate Investment	Investment holding company	100.00	100.00	
	Advantech Europe Holding B.V. (AEUH)	Investment and management services	100.00	100.00	
	Advantech Co., Singapore Pte, Ltd. (ASG)	Sale of industrial automation products	100.00	100.00	a
	Advantech Australia Pty Ltd. (AAU)	Sale of industrial automation products	100.00	100.00	a
	Advantech Japan Co., Ltd. (AJP)	Sale of industrial automation products	100.00	100.00	a
	Advantech Co. Malaysia Sdn. Bhd (AMY)	Sale of industrial automation products	100.00	100.00	a
	Advantech KR Co., Ltd. (AKR)	Sale of industrial automation products	100.00	100.00	a
	Advantech Brasil Ltd (ABR)	Sale of industrial automation products	80.00	80.00	a
	Advantech Industrial Computing India Private Limited (AIN)	Sale of industrial automation products	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	a
	LNC Technology Co., Ltd. (LNC)	Production and sale of machines with computerized numerical controls	64.10	64.10	e
	Advantech Electronics, S. De R. L. De C. V. (AMX)	Sale of industrial automation products	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	a
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	60.00	60.00	
	Advantech Intelligent Services Co., Ltd. (AiST)	Design, develop and sale of intelligent service	100.00	100.00	a
	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	76.00	76.00	a, b
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	51.00	51.00	a
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	a
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	a, f
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	-	g
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	-	a, h
	ADVANTECH IOT ISRAEL LTD. (AIL)	Sale of industrial network communications systems	100.00	-	a, p
Advantech KR Co., Ltd. (AKR)	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	24.00	24.00	a
Advantech Japan Co., Ltd. (AJP)	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	28.61	-	g
Advantech Corporate Investment	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	
	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	a,
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	a
	Advantech Corporate Investment Ltd. (ACISM)	General investment	100.00	-	a, i
	ACI IOT Investment Fund-I Corporation	Investment holding company	79.30	-	l
Advantech Technology Co., Ltd (ATC)	Advantech Automation Corp. (HK) (ATC (HK))	Investment and management services	100.00	100.00	
HK Advantech Technology Co., Ltd. ATC (HK)	Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	100.00	100.00	
Advantech Automation Corp. (BVI) (AAC (BVI))	Advantech Corp. (ANA)	Sale and fabrication of industrial automation products	100.00	100.00	
	Advantech Automation Corp. (HK) (AAC (HK))	Investment and management service	100.00	100.00	
	Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Design, development and sale of IoT intelligent system service	100.00	100.00	a
	Advantech Technology DMCC (ADB) (former B&B DMCC)	Sale of industrial network communications	100.00	-	o
Advantech Corp. (ANA)	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	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	
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	100.00	100.00	a
Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	a
	Advantech Service-IoT GmbH (A-SIoT) (former A-DLoG)	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	a, c
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing service	70.00	-	a, j
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	a
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	a, d
Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Sale of industrial automation products	100.00	100.00	a
Advantech Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	a
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	a
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	a
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	a
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00	
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00	
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	
B+B Smartworx Inc. (B+B)	B+B Smartworx Limited (BBIE)	Sale of industrial network communications systems	100.00	100.00	
	B&B IMC. LLC (IMC)	Sale of industrial network communications systems	100.00	100.00	

(Continued)

(Concluded)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2019	2018	Remark
B+B Smartworx Limited (BBIE)	B&B Electronics Holdings LLC (B&B Electronics)	Sale of industrial network communications systems	-	100.00	m
	Advantech B+B Smartworx s.r.o.CZ (ACZ) (former B+B (CZ))	Manufacturing of cellular and automation solutions	100.00	99.99	k
	Conel Automation s.r.o (Conel Automation)	Application of industrial automation	-	1.00	n
	Advantech Technology DMCC (ADB) (former B&B DMCC)	Sale of industrial network communications systems	-	100.00	o
B&B Electronics Holdings LLC (B&B Electronics)	Advantech B+B Smartworx s.r.o.CZ (ACZ) (former B+B (CZ))	Manufacturing of cellular and automation solutions	-	0.01	m
Advantech B+B Smartworx s.r.o.CZ (ACZ) (former B+B (CZ))	Conel Automation s.r.o (Conel Automation)	Application of industrial automation	-	99.00	n

(Concluded)

Remark a: Non significant subsidiaries and their financial statements had not been audited. Management of the Group believes that there would not be material impacts had the financial statements of these subsidiaries been audited.

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

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

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

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

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

Remark g: In the first quarter of 2019, the Group acquired 80% of the equity of ATJ. The Group and AJP held 50% and 30% of the equity of ATJ, respectively. In the third quarter of 2019, AJP sold 1.39% of the equity of ATJ, which led its equity investment in ATJ to decrease from 30% to 28.61%.

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

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

Remark j: In the second quarter of 2019, SIoT (Cayman) founded AIH and acquired 100% of its equity. In the third quarter of 2019, AIH held its seasoned equity offering, which led SIoT (Cayman)’s equity investment in AIH to decrease from 100% to 70%.

Remark k: In the second quarter of 2019, the Group adjusted its investment structure. The ownership of ACZ originally held by B&B Electronics was adjusted to be held by BBIE, which led BBIE’s equity investment in ACZ to increase from 99.99% to 100%. BBIE directly holds ACZ, and ACZ directly holds Conel Automation.

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

Remark m: In the third quarter of 2019, B&B Electronics was in the process of liquidation.

Remark n: In the third quarter of 2019, Conel Automation was disposed of.

Remark o: In the fourth quarter of 2019, the Group adjusted its investment structure; hence, AAC (BVI) directly held 100% of the equity of ADB.

Remark p: In the fourth quarter of 2019, the Group founded AIL.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2019	**2018**
<u>Associates that are not individually material</u>		
Listed companies		
Axiomtek Co., Ltd. ("Axiomtek")	$ 627,632	$ 619,411
Winmate Inc. ("Winmate")	553,145	542,761
AzureWare Technologies, Inc. ("AzureWare")	506,867	534,780
Nippon RAD Inc. (Nippon RAD)	296,400	298,700
Mildex Optical Inc. ("Mildex")	181,388	183,210
Hwacom Systems Inc. ("Hwacom")	392,645	-
Unlisted companies		
AIMobile Co., Ltd. ("AIMobile")	66,133	65,012
Deneng Scientific Research Co., Ltd. ("Deneng")	14,013	14,100
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	8,114	8,010
CDIB Innovation Accelerator Co., Ltd. ("CDIB")	161,043	147,109
DotZero Co., Ltd. ("DotZero")	6,238	4,629
iLink Co., Ltd. ("iLink")	7,050	9,407
Shanghai Yanle Co., Ltd. ("Yanle")	3,092	4,393
GSD Environmental Technology Co., Ltd. ("GSD")	13,608	-
Information Technology Total Services Co., Ltd. (ITTS)	154,910	-
Smasoft technology Co., Ltd. ("Smasoft")	15,000	-
Tianjin Anjie IOT Science And Technology Co., Ltd. ("Anjie")	2,582	-
	$ 3,009,860	$ 2,431,522

In the first quarter of 2018, the Group subscribed 19.65% of the equity of AzureWare Technologies, Inc. through a private placement with the approval of the board of directors. The Group had significant influence over AzureWare Technologies, Inc.

In the second quarter of 2018, the Group paid cash of $299,960 thousand to obtain a 19% equity of Nippon RAD with the approval of the board of directors. The Group had significant influence over Nippon RAD Inc.

In the second quarter of 2018, the Group paid cash of $10,067 thousand to obtain a 25% equity of iLink Co., Ltd. with the approval of the board of directors. The Group had significant influence over iLink Co., Ltd.

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

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

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

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

In the second quarter of 2019, the Group paid cash of $147,444 thousand for 20% 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 through a private placement; after the subscription, the Group's percentage of ownership in Hwacom was 19.99% and the Group had significant influence over Hwacom Systems Inc.

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.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	**2018**
The Group's share of:		
Profit from continuing operations	$ 122,820	$ 95,635
Other comprehensive income (loss)	(338)	(26,016)
Total comprehensive income (loss) for the year	$ 122,482	$ 69,619

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

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
Balance at January 1, 2018	$ 2,943,980	$ 7,274,546	$ 1,634,925	$ 830,623	$ 1,729,582	$ 4,257	$ 14,417,913
Additions	-	18,769	166,934	88,061	158,409	180,634	612,807
Disposals	(15,930)	(54,831)	(92,652)	(46,949)	(59,958)	(7,287)	(277,607)
Acquisitions through business combinations	-	-	57	524	1,483	-	2,064
Reclassifications	-	-	14,212	(19,262)	(76,318)	(170,403)	(251,771)
Effect of foreign currency exchange differences	6,077	(42,752)	(13,540)	(2,976)	(9,935)	(4,716)	(67,842)
Balance at December 31, 2018	$ 2,934,127	$ 7,195,732	$ 1,709,936	$ 850,021	$ 1,743,263	$ 2,485	$ 14,435,564

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 1,414,696	$ 1,186,494	$ 651,244	$ 1,198,147	$ -	$ 4,450,581
Disposals	-	(7,147)	(65,293)	(44,304)	(52,241)	-	(168,985)
Depreciation expenses	-	199,740	110,418	75,835	181,713	-	567,706
Acquisitions through business combinations	-	-	5	151	738	-	894
Reclassifications	-	-	(50,630)	(26,094)	(86,966)	-	(163,690)
Effect of foreign currency exchange differences	-	(16,007)	(8,381)	(2,086)	(7,249)	-	(33,723)
Balance at December 31, 2018	$ -	$ 1,591,282	$ 1,172,613	$ 654,746	$ 1,234,142	$ -	$ 4,652,783
Carrying amounts at December 31, 2018	$ 2,934,127	$ 5,604,450	$ 537,323	$ 195,275	$ 509,121	$ 2,485	$ 9,782,781
Cost							
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	1,481	24,203	92,497	88,968	347,616	347,974	902,739
Disposals	(7,100)	(15,806)	(43,912)	(52,817)	(212,597)	(208,313)	(540,545)
Acquisitions through business combinations	148,160	942,802	130,912	15,916	34,650	1	1,272,441
Reclassifications	-	27,658	6,956	(5,842)	1,799	(121,307)	(90,736)
Effect of foreign currency exchange differences	(9,079)	(125,057)	(29,926)	(18,447)	(40,653)	(12,048)	(235,210)
Balance at December 31, 2019	$ 3,067,589	$ 8,049,532	$ 1,866,463	$ 877,799	$ 1,874,078	$ 8,792	$ 15,744,253
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 1,591,282	$ 1,172,613	$ 654,746	$ 1,234,142	$ -	$ 4,652,783
Disposals	-	(8,069)	(39,949)	(37,119)	(50,730)	-	(135,867)
Depreciation expenses	-	204,079	145,931	82,847	161,352	-	594,209
Acquisitions through business combinations	-	867,976	109,364	9,961	33,018	-	1,020,319
Reclassifications	-	(424)	8,971	(6,489)	(611)	-	1,447
Effect of foreign currency exchange differences	-	(57,548)	(18,801)	(18,694)	(26,085)	-	(121,128)
Balance at December 31, 2019	$ -	$ 2,597,296	$ 1,378,129	$ 685,252	$ 1,351,086	$ -	$ 6,011,763
Carrying amounts at December 31, 2019	$ 3,067,589	$ 5,452,236	$ 488,334	$ 192,547	$ 522,992	$ 8,792	$ 9,732,490

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the 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 34.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 286,549
Buildings	396,887
Machinery	2,202
Office equipment	9,254
Transportation equipment	28,214
	$ 723,106

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Land	$ 8,673
Buildings	168,883
Machinery	655
Office equipment	5,723
Transportation equipment	29,443
	$ 213,377

Right-of-use land was classified as prepayments for leases under IAS 17. Refer to Notes 3 and 18 for information related to their reclassification and comparative information for 2018.

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 199,493
Non-current	242,263
	$ 441,756

Discounted rate ranges of lease liabilities were as follows:

	December 31, 2019
Buildings	0.25%-12.00%
Machinery	0.87%-5.46%
Office equipment	0.87%-4.75%
Transportation equipment	0.25%-5.90%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 13,959
Expenses relating to low-value asset leases	$ 12,178
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 26,137
Total cash outflow for leases	$ 265,441

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

2018

Recognized expenses

	For the Year Ended December 31, 2018
Rental expenses	$ 186,068

16. GOODWILL

	For the Year Ended December 31	
	2019	2018 (Audited after Restatement)
Cost		
Balance at January 1	$ 2,934,254	$ 2,841,549
Additional amounts recognized from business combinations occurring during the year (Note 27)	124,029	65,207
Adjustments for goodwill after acquisition	(104,889)	(15,994)
Effect of foreign currency exchange differences	(60,515)	43,492
Balance at December 31	$ 2,892,879	$ 2,934,254

(Continued)

	For the Year Ended December 31	
	2019	2018 (Audited after Restatement)
Accumulated impairment losses		
Balance at January 1	$ (97,788)	$ (101,409)
Impairment losses recognized during the year	(284,143)	-
Effect of foreign currency exchange differences	8,566	3,621
Balance at December 31	$ (373,365)	$ (97,788)
Carry amount at December 31	$ 2,519,514	$ 2,836,466

(Concluded)

The Group performed impairment assessment on the recoverable amount of goodwill and calculated the recoverable amount based on its value in use.

The recoverable amount of subsidiary B+B was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management, and discount rates of 16.38% and 14.49% per annum were used for the years ended December 31, 2019 and 2018, respectively, to reflect the risks of the cash-generating unit. Because the performance of operating revenue did not turn out as expected, the recoverable amount was lower than the sum of carrying amount of cash-generating unit's identified assets and the amount of goodwill; therefore, an impairment loss of $272,025 thousand for goodwill was recognized for the year ended December 31, 2019.

Subsidiary ANA determined that the estimated future cash flows are not expected to arise from the business combination in the past; therefore, an impairment loss of $12,118 thousand was recognized for the year ended December 31, 2019.

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

The adjustments in the consolidated balance sheets are as follows:

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

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.

	February 28, 2019 (Acquisition Date)
Goodwill adjustments	$ (12,494)
Intangible assets	$ 34,598
Non-controlling interests	$ 13,839

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.

	January 31, 2019 (Acquisition Date)
Goodwill adjustments	$ (92,395)
Property, plant and equipment	$ 106,379
Intangible assets	$ 61,223
Net defined benefit liabilities	$ 74,932
Non-controlling interests	$ 23,099

17. OTHER INTANGIBLE ASSETS

	Trademarks	**Client Relationships**	**Technology Licenses**	**Others**	**Total**
Cost					
Balance at January 1, 2018	$ 494,504	$ 496,577	$ 414,878	$ 568,213	$ 1,974,172
Additions	-	-	-	123,894	123,894
Disposals	-	-	-	(20,333)	(20,333)
Acquisitions through business combinations	-	26,657	-	84	26,741
Effect of foreign currency exchange differences	12,543	10,886	8,721	2,584	34,734
Balance at December 31, 2018	$ 507,047	$ 534,120	$ 423,599	$ 674,442	$ 2,139,208
Accumulated amortization and impairment					
Balance at January 1, 2018	$ -	$ 156,540	$ 242,301	$ 463,512	$ 862,353
Amortization expenses	-	36,921	43,708	110,853	191,482
Disposals	-	-	-	(24,731)	(24,731)
Acquisitions through business combinations	-	-	-	14	14
Effect of foreign currency exchange differences	-	1,651	4,003	2,113	7,767
Balance at December 31, 2018	$ -	$ 195,112	$ 290,012	$ 551,761	$ 1,036,885
Carrying amounts at December 31, 2018	$ 507,047	$ 339,008	$ 133,587	$ 122,681	$ 1,102,323

(Continued)

	Trademarks	Client Relationships	Technology Licenses	Others	Total
Cost					
Balance at January 1, 2019	$ 507,047	$ 534,120	$ 423,599	$ 674,442	$ 2,139,208
Additions	-	-	2,831	136,241	139,072
Disposals	-	(16,480)	-	(195,140)	(211,620)
Acquisitions through business combinations	-	95,820	-	12,885	108,705
Reclassification	-	-	-	(114)	(114)
Effect of foreign currency exchange differences	(13,822)	(19,690)	(12,577)	(2,865)	(48,954)
Balance at December 31, 2019	$ 493,225	$ 593,770	$ 413,853	$ 625,449	$ 2,126,297
Accumulated amortization and impairment					
Balance at January 1, 2019	$ -	$ 195,112	$ 290,012	$ 551,761	$ 1,036,885
Amortization expenses	-	56,803	35,571	117,832	210,206
Disposals	-	(3,937)	-	(180,243)	(184,180)
Acquisitions through business combinations	-	-	-	8,273	8,273
Impairment loss	102,010	-	-	-	102,010
Effect of foreign currency exchange differences	(3,076)	(8,290)	(10,345)	(5,247)	(26,958)
Balance at December 31, 2019	$ 98,934	$ 239,688	$ 315,238	$ 492,376	$ 1,146,236
Carrying amounts at December 31, 2019	$ 394,291	$ 354,082	$ 98,615	$ 133,073	$ 980,061

(Concluded)

The Group acquired B+B on January 4, 2016 and recognized intangible assets of $1,294,933 thousand according to the assessment report, and a portion of trademark right was expected to generate net cash inflows over a foreseeable unlimited period. Therefore, the service life of trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. However, it will be tested for impairment annually regardless of whether there is any indication that it may be impaired. Because the recoverable amount of the trademark was lower than its carrying amount, B+B recognized impairment loss of $102,010 thousand for the year ended December 31, 2019.

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Customers relationships	2-15 years
Technology licenses	5-8 years
Others	1-5 years

18. PREPAYMENTS FOR LEASES

	December 31 2018
Current assets (included in other current assets)	$ 8,673
Non-current assets	297,665
	$ 306,338

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

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings	$ 250,678	$ 87,581

The weighted average effective interest rates on bank loans was 0.23%-3.00% and 1.38%-3.15% per annum as of December 31, 2019 and 2018, respectively.

b. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings		
Other loans	$ 44,089	$ 55,410
Less: Current portion of long-term borrowings	(7,957)	(9,626)
Long-term borrowings	$ 36,132	$ 45,784

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

With demand of borrowings, the Group pledged time deposits, freehold land and buildings refer to Note 34.

20. OTHER LIABILITIES

	December 31	
	2019	2018
Other payables		
Payables for salaries or bonuses	$ 2,484,026	$ 2,143,770
Payables for employee benefits	188,988	207,175
Payables for royalties	86,822	107,409
Others (Note)	972,388	1,203,845
	$ 3,732,224	$ 3,662,199

Note: Including marketing expenses and freight expenses.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

For certain subsidiaries with a few or no employees, they have not established a set of policies for employee retirement and therefore not recognized related retirement expenses.

Except for those aforementioned subsidiaries, the rest of overseas subsidiaries recognized retirement expenses when making contribution to the retirement plan in accordance with local laws.

b. Defined benefit plans

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

Subsidiary ATJ, according to local regulations, shall calculate pension benefits on the basis of the length of service and the hourly wages at the time of resignment or retirement date when employees in participation of the defined benefit plans meet the requirements such as reaching the pension age or loss of capability to work, etc.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 517,092	$ 394,616
Fair value of plan assets	(132,178)	(139,071)
Deficit	384,914	255,545
Net defined benefit liabilities	$ 384,914	$ 255,545

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2018	$ 373,581	$ (136,356)	$ 237,225
Service cost			
Current service cost	2,400	-	2,400
Net interest expense (income)	5,143	(1,893)	3,250
Recognized in profit or loss	7,543	(1,893)	5,650

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (3,673)	$ (3,673)
Actuarial gain or loss			
Changes in demographic assumptions	6,812	-	6,812
Changes in financial assumptions	11,527	-	11,527
Experience adjustments	6,192	-	6,192
Recognized in other comprehensive income	24,531	(3,673)	20,858
Contributions from the employer	-	(8,188)	(8,188)
Benefits paid	(11,039)	11,039	-
Balance at December 31, 2018	394,616	(139,071)	255,545
Service cost			
Current service cost	6,929	-	6,929
Net interest expense (income)	4,667	(1,630)	3,037
Recognized in profit or loss	11,596	(1,630)	9,966
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,730)	(4,730)
Actuarial gain or loss			
Changes in demographic assumptions	9,924	-	9,924
Changes in financial assumptions	16,975	-	16,975
Experience adjustments	(7,112)	-	(7,112)
Recognized in other comprehensive income	19,787	(4,730)	15,057
Contributions from the employer	-	(9,304)	(9,304)
Benefits paid	(28,795)	22,557	(6,238)
Business combinations	122,190	-	122,190
Exchange differences on foreign plans	(2,302)	-	(2,302)
Balance at December 31, 2019	$ 517,092	$ (132,178)	$ 384,914

(Concluded)

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 1,827	$ 1,372
Selling and marketing expenses	687	905
General and administrative expenses	5,864	1,436
Research and development expenses	1,588	1,937
	$ 9,966	$ 5,650

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate(s)	0.140%-1.000%	1.125%-1.375%
Expected rate(s) of salary increase	3.000%-3.250%	3.000%-3.250%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (15,228)	$ (11,723)
0.25% decrease	$ 15,867	$ 12,218
Expected rate(s) of salary increase		
0.25% increase	$ 11,583	$ 11,770
0.25% decrease	$ (11,188)	$ (11,358)

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

	December 31	
	2019	**2018**
Expected contributions to the plan for the next year	$ 9,228	$ 9,477
Average duration of the defined benefit obligation	12.5-14.9 years	12.5-15.4 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	800,000	800,000
Shares authorized	$ 8,000,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	700,310	698,696
Shares issued	$ 7,004,100	$ 6,986,955

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

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

b. Capital surplus

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

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 23, d.

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

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

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

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

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

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

	Appropriation of Earnings
Legal reserve	$ 735,122
Special reserve	$ 47,230
Cash dividends	$ 5,463,198
Share dividends	$ 700,410
Cash dividends per share (NT$)	$ 7.8
Share dividends per share (NT$)	$ 1.0

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

d. Special reserves

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

e. Other equity items

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

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

2) Unrealized gain or loss on Financial Assets at FVTOCI

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

3) Unearned employee benefits compensation

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

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 245,436	$ 179,366
Share of profit for the year	41,635	18,981
Other comprehensive income during the year		
Exchange differences on translation of financial statements of foreign operations	(7,752)	4,915
Remeasurement on defined benefit plans	(104)	115
Increase in non-controlling interests arising from decrease in investment in subsidiaries (Note 30)	(340)	56,829
Increase or decrease in non-controlling interests arising from increase in investment in subsidiaries (Note 30)	7,573	(22,701)
Increase in non-controlling interests arising from the acquisition of subsidiary, ATJ (Note 28)	125,868	-
Increase in non-controlling interests arising from the acquisition of subsidiary, ATR (Note 28)	35,252	-
Increase in non-controlling interests arising from the acquisition of subsidiary, AVN (Note 28)	-	17,920
Increase in non-controlling interests arising from the acquisition of subsidiary, ACI IOT Investment Fund-I Corporation	62,000	-
Cash dividends distributed by subsidiaries	(14,039)	(10,795)
Employees' holding outstanding vest share option related non-controlling interests issued by subsidiaries	293	806
Balance at December 31	$ 495,822	$ 245,436

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 2,578	$ 2,237
Interest on lease liabilities	18,040	-
Others	4,423	2,448
	$ 25,041	$ 4,685

b. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 194,053	$ 151,782
Operating expenses	613,533	415,924
	$ 807,586	$ 567,706

(Continued)

	For the Year Ended December 31	
	2019	2018
An analysis of amortization by function		
Operating costs	$ 3,423	$ 831
Operating expenses	206,783	190,651
	$ 210,206	$ 191,482

(Concluded)

c. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 9,307,290	$ 8,319,973
Post-employment benefits		
Defined contribution plans	419,668	316,488
Defined benefit plans (Note 21)	9,966	5,650
	429,634	322,138
Share-based payments		
Equity-settled	295,427	341,624
Other employee benefits	732,743	736,650
Total employee benefits expense	$ 10,765,094	$ 9,720,385
An analysis of employee benefits expense by function		
Operating costs	$ 2,467,959	$ 2,076,967
Operating expenses	8,297,135	7,643,418
	$ 10,765,094	$ 9,720,385

d. Employees' compensation and remuneration of directors

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

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

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

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

Information on the employees' compensation and remuneration of directors 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

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 732,848	$ 1,088,910
Foreign exchange losses	(827,448)	(1,071,954)
Net profit or loss	$ (94,600)	$ 16,956

24. INCOME TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 1,824,480	$ 1,540,532
Income tax on unappropriated earnings	20,024	64,158
Adjustments for prior year	(84,174)	(254,230)
	1,760,330	1,350,460
Deferred tax		
In respect of the current year	154,695	143,835
Adjustments to deferred tax attributable to changes in tax rates and laws	-	183,446
	154,695	327,281
Income tax expense recognized in profit or loss	$ 1,915,025	$ 1,677,741

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 9,307,880	$ 7,986,715
Income tax expense calculated at the statutory rate	$ 2,249,657	$ 1,923,694
Nondeductible expenses in determining taxable income	2,972	713
Tax-exempt income	(109,002)	(83,676)
Income tax on unappropriated earnings	20,024	64,158
Land value increment tax	170	4,562
Investment credits in the current year	(162,569)	(158,726)

(Continued)

	For the Year Ended December 31	
	2019	2018
Loss carryforwards in the current year	$ -	$ (260)
Unrecognized deductible temporary differences	(671)	(1,137)
Unrecognized loss carryforwards	1,019	-
Difference between basic and regular income tax	3,763	-
Adjustments for prior years' tax	(84,174)	(254,230)
Effect of tax rate changes	-	183,446
Others	(6,164)	(803)
Income tax expense recognized in profit or loss	$ 1,915,025	$ 1,677,741

(Concluded)

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. Except those subsidiaries based in China applicable to the preferential income tax rate of 15% for hi-tech enterprises, others are applicable to the tax rate of 25%; tax rate according to income tax law of each jurisdiction is applicable to subsidiaries based in jurisdiction other than China.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ (18,897)
In respect of the current year		
Translating the financial statements of foreign operations	100,754	(4,171)
Remeasurement on defined benefit plans	3,012	(7,131)
	$ 103,766	$ (30,199)

c. Current tax liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 1,522,874	$ 1,611,886

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Business Combination	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 136,026	$ 3,059	$ -	$ -	$ 139,085
Unrealized loss on inventory write-downs	74,115	15,110	-	-	89,225
Exchange differences on translating the financial statements of foreign operations	118,963	-	100,754	-	219,717
Loss carryforwards	45,525	(10,395)	-	-	35,130
Defined benefit obligations	17,717	(691)	-	-	17,026
Unrealized exchange losses (gains)	560	2,973	-	-	3,533
Unrealized warranty liabilities	25,293	9,725	-	-	35,018
Remeasurement of defined benefit plans	22,459	-	3,012	22,824	48,295
Allowance for impaired receivables	3,814	(3,523)	-	-	291
Sales allowance	3,090	(3,090)	-	-	-
Financial assets at fair value through profit or loss	-	420	-	-	420
Others	53,698	(25,008)	-	73,782	102,472
	$ 501,260	$ (11,420)	$ 103,766	$ 96,606	$ 690,212
Deferred tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 1,588,655	$ 199,914	$ -	$ -	$ 1,788,569
Remeasurement of defined benefit plans	3,990	-	-	-	3,990
Financial assets at fair value through profit or loss	87	(87)	-	-	-
Exchange differences on translating the financial statements of foreign operations	3,676	189	-	-	3,865
Unrealized exchange losses (gains)	2,580	(2,578)	-	-	2
Property, plant and equipment	5,153	(1,076)	-	-	4,077
Intangible assets and goodwill	193,822	(52,727)	-	-	141,095
Others	951	(360)	-	-	591
	$ 1,798,914	$ 143,275	$ -	$ -	$ 1,942,189

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 75,876	$ 60,150	$ -	$ 136,026
Unrealized loss on inventory write-downs	49,176	24,939	-	74,115
Exchange differences on translating the financial statements of foreign operations	95,080	-	23,883	118,963
Loss carryforwards	45,472	53	-	45,525
Defined benefit obligation	15,423	2,294	-	17,717
Unrealized exchange losses (gains)	3,007	(2,447)	-	560
Unrealized warranty liabilities	24,072	1,221	-	25,293
Remeasurement of defined benefit plans	15,544	-	6,915	22,459
Allowance for impaired receivables	4,504	(690)	-	3,814
Sales allowance	-	3,090	-	3,090
Others	70,287	(16,589)	-	53,698
	$ 398,441	$ 72,021	$ 30,798	$ 501,260
Deferred tax liabilities				
Temporary differences				
Undistributed earnings of subsidiaries	$ 1,170,423	$ 418,232	$ -	$ 1,588,655
Remeasurement of defined benefit plans	3,391	-	599	3,990
Financial assets - FVTPL	-	87		87
Exchange differences arising on translating of the financial statements of foreign entities	12,853	(9,177)	-	3,676
Unrealized exchange gains	384	2,196	-	2,580
Property, plant and equipment	5,849	(696)	-	5,153
Intangible assets and goodwill	205,258	(11,436)	-	193,822
Others	855	96	-	951
	$ 1,399,013	$ 399,302	$ 599	$ 1,798,914

e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards		
Expiry in 2020-2021	$ 684	$ -
Expiry in 2026	-	20,415
Expiry in 2028	33,410	-
Expiry in 2029	5,095	-
Expiry in 2033-2039	35,087	-
Infinite	819	-
	$ 75,095	$ 20,415

f. Information about unused investment credits

As of December 31, 2019, investment tax credits comprised:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 5,052	2019-2020

g. Income tax assessments

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

25. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net Profit for the Year

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

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

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

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

26. SHARE-BASED PAYMENT ARRANGEMENTS

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2019		2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	15,965	$143.64	9,378	$ 95.15
Options granted	-	-	8,000	202.50
Options exercised	(1,715)	81.91	(1,413)	83.78
Balance at December 31	14,250	149.88	15,965	143.64
Options exercisable, end of year	6,250	82.54	7,965	85.00
Weighted-average fair value of options granted (NT$)	$ -		$ 49.15	

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

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

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

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

	2018	2016	2014
Grant-date share price (NT$)	$202.5	$235	$239.5
Exercise price (NT$)	$202.5	$100	$100
Expected volatility	28.42%-28.73%	31.42%-32.48%	28.28%-29.19%
Expected life (in years)	4-4.5	4-5.5	4-5.5
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.67%-0.69%	0.52%-0.65%	1.07%-1.30%

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

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

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2019		2018	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)
Balance at January 1	814	$ 20	980	$ 2.0
Options granted	-	-	108	2.0
Options forfeited	(74)	-	(274)	-
Balance at December 31	740	20	814	2.0
Options exercisable, end of period	180		-	
Weighted-average fair value of options granted (NT$)	$ -		$ 2.17	

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

	December 31			
	2019		2018	
Employee Share Options	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2018	$ 20	2.53	$ 20	3.33
Issuance in 2017	20	1.42	20	2.42

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

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

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

<u>Issuance in 2018</u>

	Before Adjustment	After Adjustment
Grant-date share 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%

<u>Issuance in 2017</u>

	Before Adjustment	After Adjustment
Grant-date share 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%

27. GOVERNMENT GRANTS

For the years ended December 31, 2019 and 2018, the Group received government grants of NT$71,182 thousand and NT$44,839 thousand for its engagement in a government project. The amount was recognized as other revenue.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

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

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

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

b. Consideration transferred

	ATJ	ATR	AVN
Cash	$ 517,008	$ 58,482	$ 76,092

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

	ATJ	ATR	AVN
Current assets			
Cash and cash equivalents	$ -	$ 33,334	$ 15,770
Trade receivables and other receivables	600,640	15,759	16,701
Inventories	437,154	9,966	4,637
Other current assets	7,220	353	615
Non-current assets			
Plant and equipment	251,399	723	1,170
Intangible assets	65,649	34,783	26,727
Deferred tax assets	96,606	-	-
Other non-current assets	-	238	354
Current liabilities			
Short-term borrowings	(157,819)	(311)	-
Trade and other payables	(501,113)	(2,206)	(20,302)
Current tax liabilities	(32,436)	(193)	-
Other current liabilities	(15,770)	(4,230)	(873)

(Continued)

	ATJ	ATR	AVN
Non-current liabilities			
Net defined benefit liabilities	$ (122,190)	$ -	$ -
Other non-current liabilities	-	(86)	-
	$ 629,340	$ 88,130	$ 44,799

(Concluded)

d. Non-controlling interests

The non-controlling interest (20%, 40% and 40% ownership interest in ATJ, ATR and AVN) recognized at the acquisition date was measured by reference to the identifiable net assets of the non-controlling interest and amounted to $125,868 thousand, $35,252 thousand and $17,920 thousand for each.

e. Goodwill recognized on acquisitions

	ATJ	ATR	AVN
Consideration transferred	$ 517,008	$ 58,482	$ 76,092
Less: Fair value of identifiable net assets acquired	(503,472)	(52,878)	(26,879)
Goodwill recognized on acquisitions	$ 13,536	$ 5,604	$ 49,213

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

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

	ATJ	ATR	AVN
Consideration paid in cash	$ 517,008	$ 58,482	$ 76,092
Less: Cash and cash equivalent balances acquired	-	(33,334)	(15,770)
	$ 517,008	$ 25,148	$ 60,322

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:

	2019		2018
	ATJ	ATR	AVN
Revenue	$ 2,563,061	$ 128,870	$ 52,048
Profit or loss	$ 137,452	$ 12,955	$ (5,982)

29. DISPOSAL OF SUBSIDIARIES

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

a. Consideration received from disposal

	Conel Automation
Cash	$ 311

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

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

c. Loss on disposal of subsidiary

	Conel Automation
Consideration received	$ 311
Net assets disposed of	(26,242)
Cumulative exchange differences reclassified from equity to profit or loss in respect of the subsidiary	4,312
Loss on disposals	$ (21,619)

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

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

30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

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

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

	For the Year Ended December 31, 2019		
	ATJ	AIH	Total
Cash consideration received (paid)	$ 9,230	$ -	$ 9,230
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	(7,573)	340	(7,233)
Differences recognized from equity transactions	$ 1,657	$ 340	$ 1,997
Line items adjusted for equity transactions			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ 1,657	$ -	$ 1,657
Capital surplus - changes in percentage of ownership interests in subsidiaries	-	340	340
	$ 1,657	$ 340	$ 1,997

	For the Year Ended December 31, 2018		
	ATH	LNC	Total
Cash consideration received (paid)	$ (21,926)	$ 126,770	$ 104,844
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	22,701	(56,829)	(34,128)
Differences recognized from equity transactions	$ 775	$ 69,941	$ 70,716
Line items adjusted for equity transactions			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ 775	$ 69,941	$ 70,716

31. CAPITAL MANAGEMENT

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

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

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

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

32. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 9,320	$ -	$ 9,320
Securities listed in ROC	118,392	-	-	118,392
Securities listed in other countries	50,157	-	-	50,157
Securities unlisted in other countries	-	-	101,156	101,156
Mutual funds	3,470,094	-	-	3,470,094
	$ 3,638,643	$ 9,320	$ 101,156	$ 3,749,119
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	$ 1,489,491	$ -	$ -	$ 1,489,491
Unlisted securities - ROC	-	-	18,860	18,860
Unlisted shares in other country	-	-	130,970	130,970
	$ 1,489,491	$ -	$ 149,830	$ 1,639,321
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 521	$ -	$ 521

December 31, 2018

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

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 year ended December 31, 2019

	Financial Assets at FVTPL	Financial Assets at FVTOCI	
	Equity Instruments	Equity Instruments	Total
Financial assets			
Balance at January 1, 2019	$ -	$ 118,765	$ 118,765
Purchases	101,156	-	101,156
Recognized in other comprehensive income	-	31,065	31,065
Balance	$ 101,156	$ 149,830	$ 250,986

For the year ended December 31, 2018

	Financial Assets at Fair Value Through Other Comprehensive Income	
	Equity Instruments	Total
Financial assets		
Balance at January 1, 2018	$ -	$ -
Reclassification	89,893	89,893
Recognized in other comprehensive income	28,872	28,872
Balance at December 31, 2018	$ 118,765	$ 118,765

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 and other countries were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

b. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	$ 3,749,119	$ 2,098,552
Financial assets at amortized cost (Note 1)	15,253,957	15,187,794
Financial assets at FVTOCI equity instrument	1,639,321	1,300,267
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	521	6,139
Measured at amortized cost (Note 2)	8,826,187	9,616,094

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 instruments, 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 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 using forward exchange contracts, which allow the Group to mitigate but not fully eliminate the effect.

The maturities of the Company's forward exchange contracts were less than six months and these 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 35. 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 the New Taiwan dollar (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 currency 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 the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact		**Euro Impact**		**Renminbi Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit or loss	$ 101,361 (Note 1)	$ 86,067 (Note 1)	$ 53,804 (Note 2)	$ 48,477 (Note 2)	$ 69,773 (Note 3)	$ 40,381 (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's floating-rate bank savings and borrowings are exposed to risk of changes in interest rates. 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, 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:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 1,434,765	$ 1,363,564
Financial liabilities	165,600	-
Cash flow interest rate risk		
Financial assets	4,055,867	4,527,415
Financial liabilities	129,167	142,991

<u>Sensitivity analysis</u>

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 years ended December 31, 2019 and 2018 would have increased by $19,634 thousand and $21,922 thousand, respectively. Had interest rates been 50 basis points lower for the same years, the Group's pre-tax profit would have decreased by the same respective amounts. 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.

<u>Sensitivity analysis</u>

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/lower, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased by $2,679 thousand and $2,079 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 years ended December 31, 2019 and 2018 would have increased by $16,393 thousand and $13,002 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices increased because stock prices rose in 2019.

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 would 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. 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 amounts was derived from the interest rate curve at the end of the reporting period.

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	**1-5 Years**	**5-10 Years**	**10-15 Years**	**15-20 Years**	**20+ Years**
Lease liabilities	$ 202,481	$ 206,664	$ 63,494	$ -	$ -	$ -

December 31, 2018

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

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

b) Liquidity and interest risk rate table 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 net cash inflows and outflows on derivative instruments that require gross settlement.

December 31, 2019

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

December 31, 2018

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

c) Financing facilities

	December 31 2019	December 31 2018
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used	$ 250,678	$ 67,581
Amount unused	6,741,182	3,955,919
	$ 6,991,860	$ 4,023,500
Secured bank overdraft facilities		
Amount used	$ 44,089	$ 55,410

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
i-Link Co., Ltd.	Associate
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Nippon RAD Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate
Information Technology Total Services Co., Ltd.	Associate
Hwacom Systems Inc.	Associate
Tianjin Anjie IOT Science And Technology Co., Ltd.	Associate
Smasoft technology Co., Ltd.	Associate
Advantech Foundation	Other related party
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party

b. Sales of goods

	For the Year Ended December 31	
Related Party Category/Name	**2019**	**2018**
Associates	$ 83,691	$ 109,246

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category/Name	**2019**	**2018**
Associates	$ 206,331	$ 148,410

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

		December 31	
Line Item	**Related Party Category/Name**	**2019**	**2018**
Trade receivables from related parties	Associates	$ 20,174	$ 18,969

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

e. Other receivables from related parties

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Other receivables	Other related parties	$ 29	$ -

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

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Trade payables	Associates	$ 43,367	$ 27,653
Other liabilities	Other related parties	$ 7,965	$ -

The outstanding trade payables to related parties are unsecured.

g. Prepayments to related parties

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Prepayments - related parties	Associates	$ 25,470	$ -

h. Other transactions with related parties

Related Party Category/Name	Operating Expenses For the Year Ended December 31 2019	Operating Expenses For the Year Ended December 31 2018
Selling and marketing expenses		
Associates	$ 237	$ -
Research and development expenses		
Associates	$ 2,955	$ 11,672

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

Related Party Category/Name	Other Income For the Year Ended December 31 2019	Other Income For the Year Ended December 31 2018
Rental income		
Other related parties	$ 60	$ 60
Other		
Other related parties	$ 2,702	$ 2,702

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

i. Compensation of key management personnel

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

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2019	2018
Property, plant and equipment	$ 64,584	$ 67,068

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 169,388	29.980 (USD:NTD)	$ 5,078,252
RMB	608,066	4.3050 (RMB:NTD)	2,617,724
USD	30,704	6.9640 (USD:RMB)	920,508
EUR	23,196	33.590 (EUR:NTD)	779,154
			$ 9,395,638
Financial liabilities			
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)	1,113,217
			$ 5,261,025

December 31, 2018

Unit: In Thousands for Currencies, Except Exchange Rates

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

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were $(94,600) thousand and $16,956 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. 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) Trading in derivative instruments. (Notes 7 and 33)

10) Significant transactions between the Company and subsidiaries. (Table 9)

11) Name, locations, and other information of investees. (Table 7)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, 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, their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group’s segment information which is disclosed is as follows:

- Industrial internet of things services (IIoT): Focus on the market of industry 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 (Allied DMS): 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 a separate operating segment. But for financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

a. These operating segments have similar long-term gross profit margins; and

b. The nature of the products and production processes are similar.

Segment Revenue and Results

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

	Industrial Interest of Things Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS & APS)	Others	Total
For the year ended December 31, 2019							
Revenue from external customers	$ 16,479,991	$ 13,651,265	$ 12,870,217	$ 4,561,529	$ 6,546,203	$ 35,457	$ 54,144,662
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	$ 16,479,991	$ 13,651,265	$ 12,870,217	$ 4,561,529	$ 6,546,203	$ 35,457	54,144,662
Eliminations	$ -	$ -	$ -	$ -	$ -	$ -	-
Consolidated revenue	-	-	-	-	-	-	54,144,662
Segment income	$ 3,990,121	$ 2,345,974	$ 2,083,716	$ 398,023	$ 844,145	$ -	9,661,979
Other revenue							301,883
Other unamortized expense							(428,477)
Other income and expense							(325,284)
Finance costs							(25,041)
Share of profits of associates accounted for using the equity method							122,820
Profit before tax (continuing operations)							$ 9,307,880
For the year ended December 31, 2018							
Revenue from external customers	$ 16,653,946	$ 13,253,892	$ 8,099,529	$ 4,373,806	$ 6,333,069	$ 12,276	$ 48,726,518
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	$ 16,653,946	$ 13,253,892	$ 8,099,529	$ 4,373,806	$ 6,333,069	$ 12,276	48,726,518
Eliminations	$ -	$ -	$ -	$ -	$ -	$ -	-
Consolidated revenue	-	-	-	-	-	-	-
Segment income	$ 3,667,801	$ 2,162,092	$ 1,226,964	$ 260,715	$ 713,496	$ (5,196)	8,025,872
Other revenue							318,106
Other unamortized expense							(566,247)
Other income and expense							118,034
Finance costs							(4,685)
Share of profits of associates accounted for using the equity method							95,635
Profit before tax (continuing operations)							$ 7,986,715

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

Revenue from Major Products and Services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2019	2018
Embedded boards and Chassis	$ 26,275,929	$ 21,354,713
Industrial computer and industrial control	21,776,158	21,099,031
After-sales service and others	6,092,575	6,272,774
	$ 54,144,662	$ 48,726,518

Geographical Information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Taiwan	$ 3,306,319	$ 3,600,680	$ 7,651,703	$ 7,763,053
Asia	24,153,764	20,014,992	3,614,074	3,159,114
USA	15,105,993	14,211,217	2,490,511	2,992,980
Europe	8,937,030	8,485,831	620,559	421,419
Others	2,641,556	2,413,798	25,772	3,773
	$ 54,144,662	$ 48,726,518	$ 14,402,619	$ 14,340,339

Non-current assets exclude investments accounted for using the equity method, financial instruments and deferred tax assets.

Information about Major Customers

No customers contributed 10% or more to the Group's revenue for both years ended December 31, 2019 and 2018.

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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

Note A: Investee companies are numbered sequentially from 1.

Note B: Translated based on the exchange rates as of December 31, 2019: CZK1=NT$1.323 and JPY1=NT$0.276.

Note C: The financing limit for each borrower and for the aggregate financing were both 40%, of ACZ's net asset values, and were supervised by the Company.

Note D: The financing limit for each borrower and for the aggregate financing were both 40%, of AAC (BVI)'s net asset values, and were supervised by the Company.

Note E: The financing limit for each borrower and for the aggregate financing were 10% and 40%, respectively, of LNC's net asset values.

Note F: The financing limit for each borrower and for the aggregate financing were both 40%, of Advantech Corporate Investment's net asset values, and were supervised by the Company.

Note G: Conel Automation was disposed of during the current period.

Note H: The maximum balance for the year and ending balance are approved by the board of directors of financiers.

Note I: All intercompany financing has been eliminated on consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	$ 3,223,564	$ 948,000 (US$ 30,000 thousand)	$ 899,400 (US$ 30,000 thousand)	$ -	$ -	2.79	$ 9,670,691	Y	N	N
		AAC (BVI)	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		AJP	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	55,200 (US$ 1,841 thousand)	-	0.93	9,670,691	Y	N	N
		ATJ	Subsidiary	3,223,564	295,000 (JPY1,000,000 thousand)	276,000 (JPY1,000,000 thousand)	110,400 (JPY 400,000 thousand)	-	0.86	9,670,691	Y	N	N
		AKST	Subsidiary	3,223,564	189,600 (US$ 6,000 thousand)	179,880 (US$ 6,000 thousand)	65,078 (US$ 2,271 thousand)	-	0.56	9,670,691	Y	N	N
		AKMC	Subsidiary	3,223,564	189,600 (US$ 6,000 thousand)	179,880 (US$ 6,000 thousand)	-	-	0.56	9,670,691	Y	N	Y
		ACISM	Subsidiary	3,223,564	158,000 (US$ 5,000 thousand)	149,900 (US$ 5,000 thousand)	-	-	0.47	9,670,691	Y	N	N
		SIoT (Cayman)	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		B+B	Subsidiary	3,223,564	158,000 (US$ 5,000 thousand)	149,900 (US$ 5,000 thousand)	-	-	0.47	9,670,691	Y	N	N
		ABR	Subsidiary	3,223,564	47,400 (US$ 1,500 thousand)	44,970 (US$ 1,500 thousand)	-	-	0.14	9,670,691	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee Name	Endorsee/Guarantee Relationship	Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		A-SIoT	Subsidiary	$ 3,223,564	$ 35,380 (EUR 1,000 thousand)	$ 33,590 (EUR 1,000 thousand)	$ -	$ -	0.10	$ 9,670,691	Y	N	N
		AVN	Subsidiary	3,223,564	31,600 (US$ 500 thousand)	29,980 (US$ 500 thousand)	-	-	0.09	9,670,691	Y	N	N
		Cermate (Taiwan)	Subsidiary	3,223,564	31,600 (US$ 1,000 thousand)	29,980 (US$ 1,000 thousand)	-	-	0.09	9,670,691	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,223,564	31,600 (US$ 1,000 thousand)	29,980 (US$ 1,000 thousand)	-	-	0.09	9,670,691	Y	N	Y
		ACZ	Subsidiary	3,223,564	15,800 (US$ 500 thousand)	14,990 (US$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		ATR	Subsidiary	3,223,564	15,800 (US$ 500 thousand)	14,990 (US$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		Advanixs Corp.	Subsidiary	3,223,564	15,800 (US$ 500 thousand)	14,990 (US$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		AdvanPOS	Subsidiary	3,223,564	15,800 (US$ 500 thousand)	14,990 (US$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		AAU	Subsidiary	3,223,564	6,300 (US$ 200 thousand)	5,996 (US$ 200 thousand)	-	-	0.02	9,670,691	Y	N	N
		Advantech Intelligent Service	Subsidiary	3,223,564	4,740 (US$ 150 thousand)	4,497 (US$ 150 thousand)	-	-	0.01	9,670,691	Y	N	N
		AKR	Subsidiary	3,223,564	1,580 (US$ 50 thousand)	1,499 (US$ 50 thousand)	-	-	-	9,670,691	Y	N	N

Note A: The limit on endorsements or guarantees provided on behalf of the respective party is 10% of the Company's net asset value.

Note B: The maximum collateral or guarantee amount allowable is 30% of the Company's net asset value.

Note C: The exchange rates as of December 31, 2019 were US$1=NT$29.98, EUR1=NT$33.59 and JPY1=NT$0.276.

Note D: The latest net equity is from the Group's consolidated financial statements for the year ended December 31, 2019.

(Concluded)

TABLE 3

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Share							
	ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	$ 1,097,185	0.64	$ 1,097,185	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	127,200	2.41	127,200	Note A
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	74,093,066	932,913	-	932,913	Note B
	FSITC Money Market	-	Same as above	1,117,303	200,109	-	200,109	Note B
	FSITC Taiwan Money Market	-	Same as above	32,562,860	500,263	-	500,263	Note B
Advantech Corporate Investment	Share							
	Contec	-	Financial assets at fair value through profit or loss - current	15,500	6,759	0.23	6,759	Note A
	GSD Technologies Co., Ltd.	-	Same as above	324,000	22,194	0.95	22,194	Note A
	Amazing Microelectronic Corp.	-	Same as above	50,142	4,964	0.06	4,964	Note A
	WT Microelectronics Co., Ltd.	-	Same as above	495,000	20,840	0.08	20,840	Note A
	E Ink Holdings Inc.	-	Same as above	43,000	1,344	-	1,344	Note A
	Lelon Electronics Corp.	-	Same as above	250,000	10,988	0.19	10,988	Note A
	Yuan High-Tec Development Co., Ltd.	-	Same as above	249,000	19,472	0.74	19,472	Note A
	eGalax_eMPIA Technology Inc.	-	Same as above	293,000	14,430	0.49	14,430	Note A
	Nuvoton Technology Corp.	-	Same as above	516,799	24,160	0.18	24,160	Note A
	ISI	-	Same as above	640	11,343	-	11,343	Note A
	TRMB	-	Same as above	8,490	10,611	-	10,611	Note A
	LTRX	-	Same as above	26,200	2,788	-	2,788	Note A
	China Mobile Ltd.	-	Same as above	74,000	18,656	-	18,656	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	265,106	5.03	265,106	Note A
	BoardTec System Inc.	-	Same as above	225,000	3,917	7.50	3,917	Note C
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Juguar Technology	-	Same as above	500,000	4,949	16.67	4,949	Note C
	Taiwan DSC PV Ltd.	-	Same as above	1,600	-	3.20	-	Note C
	iSAP Solution Corp.	-	Same as above	942,850	9,994	15.00	9,994	Note C
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	31,352,761	394,766	-	394,766	Note B
	Taishin 1699 Money Market	-	Same as above	29,087,859	395,135	-	395,135	Note B
	FSITC Money Market	-	Same as above	335,392	60,069	-	60,069	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Fund							
	FSITC Taiwan Money Market		Financial assets at fair value through profit or loss - current	18,910,187	$ 290,517	-	$ 290,517	Note B
	CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	100,141	-	100,141	Note C
Advanixs Corporate	Fund							
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,266,221	93,226	-	93,226	Note B
	Mega Diamond Money Market	-	Same as above	3,113,391	39,201	-	39,201	Note B
Advantech Intelligent Service	Fund							
	Jih Sun Money Market	-	Same as above	1,311,144	19,507	-	19,507	Note B
AdvanPOS	Fund							
	Mega Diamond Money Market	-	Same as above	999,130	12,580	-	12,580	Note B
SIoT (Cayman)	Fund							
	FSITC Taiwan Money Market	-	Same as above	10,047,452	154,359	-	154,359	Note B
	Taishin 1699 Money Market	-	Same as above	25,064,061	340,475	-	340,475	Note B
Advantech Innovative Design Co., Ltd.	Fund							
	Capital Money Market	-	Same as above	625,517	10,132	-	10,132	Note B
Cermate (Taiwan)	Fund							
	Mega Diamond Money Market	-	Same as above	850,047	10,703	-	10,703	Note B
AiSC	Fund							
	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	-	129,150	8.43	129,150	Note C
	Share							
	Jama Pro Co., Ltd.	-	Same as above	583,300	1,820	10.00	1,820	Note C
Yun Yan, Wu-Lian Co., Ltd.	Fund							
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	27,649	4,952	-	4,952	Note B
Huan Yan, Jhih-lian Co.	Fund							
	FSITC Money Market	-	Same as above	54,616	9,782	-	9,782	Note B
AIH	Fund							
	Capital Money Market	-	Same as above	86,749	1,405	-	1,405	Note B

Note A: Market value was based on the closing price on December 31, 2019.

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2019.

Note C: The fair values are estimated from the latest net equity from the financial statements.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	Fund													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	97,030,420	$ 1,212,819	71,598,392	$ 900,001	94,535,746	$ 1,185,000	$ 1,181,637	$ 3,363	74,093,066	$ 931,183
	Capital Money Market	Same as above	-	-	8,702,880	140,000	30,942,241	500,000	39,645,121	640,756	640,000	756	-	-
	FSITC Money Market	Same as above	-	-	-	-	4,756,897	850,003	3,639,594	650,596	650,003	593	1,117,303	200,000
	FSITC Taiwan Money Market	Same as above	-	-	-	-	153,332,707	2,350,005	120,769,847	1,851,498	1,850,005	1,493	32,562,860	500,000
	Share													
	ATJ	Investments accounted for using the equity method	-	Subsidiary	-	-	500,000	323,130	-	-	-	-	500,000	323,130
Advantech Corporate Investment	Fund													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	11,354,027	142,174	24,633,086	310,001	11,354,027	142,321	142,174	147	24,633,086	310,001
	Taishin 1699 Money Market	Same as above	-	-	-	-	79,409,935	1,075,005	50,322,076	682,000	680,680	1,320	29,087,859	394,325
	FSITC Taiwan Money Market	Same as above	-	-	-	-	26,072,566	400,002	7,162,379	110,000	109,881	119	18,910,187	290,121
	FSITC Money Market	Same as above	-	-	-	-	5,071,710	905,004	4,736,318	846,330	844,987	1,343	335,392	60,017
SIoT (Cayman)	Fund													
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	-	-	26,463,435	359,000	1,399,374	19,000	18,981	19	25,064,061	340,019

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 YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AAU	Subsidiary	Sale	$ 244,769	0.67	60-90 days	Contract price	No significant difference in terms for related parties	$ 61,417	0.94	
	ABR	Subsidiary	Sale	124,070	0.34	90 days after month-end	Contract price	No significant difference in terms for related parties	3,143	0.05	
	ACN	Subsidiary	Sale	8,103,451	22.12	45 days after month-end	Contract price	No significant difference in terms for related parties	1,757,991	26.78	Note A
	AEU	Subsidiary	Sale	5,113,619	13.96	30 days after month-end	Contract price	No significant difference in terms for related parties	1,006,415	15.33	
	AJP	Subsidiary	Sale	917,540	2.50	60-90 days	Contract price	No significant difference in terms for related parties	85,926	1.31	
	AKR	Subsidiary	Sale	1,037,306	2.83	60 days after invoice date	Contract price	No significant difference in terms for related parties	73,156	1.11	
	AMY	Subsidiary	Sale	143,909	0.39	45 days after month-end	Contract price	No significant difference in terms for related parties	11,371	0.17	
	ANA	Subsidiary	Sale	9,875,397	26.96	45 days after month-end	Contract price	No significant difference in terms for related parties	1,251,888	19.07	
	ASG	Subsidiary	Sale	295,845	0.81	60-90 days	Contract price	No significant difference in terms for related parties	66,078	1.01	
	A-SIoT	Subsidiary	Sale	260,008	0.71	30 days after invoice date	Contract price	No significant difference in terms for related parties	17,812	0.27	
	ATH	Subsidiary	Sale	111,174	0.30	30 days after invoice date	Contract price	No significant difference in terms for related parties	2,412	0.04	
	B+B	Subsidiary	Sale	243,951	0.67	45 days after month-end	Contract price	No significant difference in terms for related parties	33,448	0.51	
	SIoT (Cayman)	Subsidiary	Sale	1,190,382	3.25	30 days after month-end	Contract price	No significant difference in terms for related parties	229,852	3.50	
	Advanixs Corp.	Subsidiary	Sale	667,830	1.82	60-90 days	Contract price	No significant difference in terms for related parties	63,810	0.97	
	AKMC	Subsidiary	Purchase	(12,512,596)	50.24	Usual trade terms	Contract price	No significant difference in terms for related parties	(2,008,469)	46.80	
AKMC	The Company	Parent company	Sale	12,512,596	94.15	Usual trade terms	Contract price	No significant difference in terms for related parties	2,008,469	94.56	
AAU	The Company	Parent company	Purchase	(244,769)	76.54	60-90 days	Contract price	No significant difference in terms for related parties	(61,417)	69.98	
ABR	The Company	Parent company	Purchase	(124,070)	62.71	90 days after month-end	Contract price	No significant difference in terms for related parties	(3,143)	35.16	
ACN	The Company	Parent company	Purchase	(8,103,451)	79.61	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,757,991)	85.54	
AEU	The Company	Parent company	Purchase	(5,113,619)	73.60	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,006,415)	68.71	
AJP	The Company	Parent company	Purchase	(917,540)	89.73	60-90 days	Contract price	No significant difference in terms for related parties	(85,926)	73.55	
AKR	The Company	Parent company	Purchase	(1,037,306)	65.15	60 days after invoice date	Contract price	No significant difference in terms for related parties	(73,156)	45.59	
AMY	The Company	Parent company	Purchase	(143,909)	78.35	45 days after month-end	Contract price	No significant difference in terms for related parties	(11,371)	97.40	
ANA	The Company	Parent company	Purchase	(9,875,397)	77.69	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,251,888)	78.52	
ASG	The Company	Parent company	Purchase	(295,845)	74.50	60-90 days	Contract price	No significant difference in terms for related parties	(66,078)	74.47	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
A-SioT	The Company	Parent company	Purchase	$ (260,008)	28.19	30 days after invoice date	Contract price	No significant difference in terms for related parties	$ (17,812)	32.20	
ATH	The Company	Parent company	Purchase	(111,174)	80.60	30 days after invoice date	Contract price	No significant difference in terms for related parties	(2,412)	3.54	
B+B	The Company	Parent company	Purchase	(243,951)	29.78	45 days after month-end	Contract price	No significant difference in terms for related parties	(33,448)	62.58	
SIoT (Cayman)	The Company	Parent company	Purchase	(1,190,382)	84.81	Usual trade terms	Contract price	No significant difference in terms for related parties	(229,852)	85.38	
Advanixs Corp.	The Company	Parent company	Purchase	(667,830)	99.51	60-90 days	Contract price	No significant difference in terms for related parties	(63,810)	95.76	
ACN	SIoT (China)	Related enterprise	Sale	102,411	0.87	Usual trade terms	Contract price	No significant difference in terms for related parties	17,239	0.69	
ACZ	AEU	Related enterprise	Sale	218,893	63.17	Usual trade terms	Contract price	No significant difference in terms for related parties	36,655	81.03	
AKMC	ACN	Related enterprise	Sale	393,324	2.96	Usual trade terms	Contract price	No significant difference in terms for related parties	54,379	2.56	
	SIoT (Cayman)	Related enterprise	Sale	215,961	1.63	Usual trade terms	Contract price	No significant difference in terms for related parties	37,672	1.77	
APL	AEU	Related enterprise	Sale	122,819	90.73	Usual trade terms	Contract price	No significant difference in terms for related parties	19,179	87.31	
SIoT (Cayman)	A-SIoT	Subsidiary	Sale	251,922	12.95	Usual trade terms	Contract price	No significant difference in terms for related parties	10,152	4.22	
	AEU	Related enterprise	Sale	435,604	22.40	Usual trade terms	Contract price	No significant difference in terms for related parties	62,655	26.03	
	ANA	Related enterprise	Sale	936,044	48.13	Usual trade terms	Contract price	No significant difference in terms for related parties	92,020	38.23	
LNC	LNC Dong Guan	Subsidiary	Sale	334,674	76.89	Usual trade terms	Contract price	No significant difference in terms for related parties	222,480	93.67	
ACN	AKMC	Related enterprise	Purchase	(393,324)	3.86	Usual trade terms	Contract price	No significant difference in terms for related parties	(54,379)	2.65	
AEU	ACZ	Related enterprise	Purchase	(218,893)	3.15	Usual trade terms	Contract price	No significant difference in terms for related parties	(36,655)	2.50	
	SIoT (Cayman)	Related enterprise	Purchase	(435,604)	6.27	Usual trade terms	Contract price	No significant difference in terms for related parties	(62,655)	4.28	
	APL	Related enterprise	Purchase	(122,819)	1.77	Usual trade terms	Contract price	No significant difference in terms for related parties	(19,179)	1.31	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(936,044)	6.58	Usual trade terms	Contract price	No significant difference in terms for related parties	(92,020)	5.77	
A-SIoT	SIoT (Cayman)	Parent company	Purchase	(251,922)	30.58	Usual trade terms	Contract price	No significant difference in terms for related parties	(10,152)	18.35	
SIoT (Cayman)	AKMC	Related enterprise	Purchase	(215,961)	15.39	Usual trade terms	Contract price	No significant difference in terms for related parties	(37,672)	13.99	
SIoT (China)	ACN	Related enterprise	Purchase	(102,411)	7.30	Usual trade terms	Contract price	No significant difference in terms for related parties	(17,239)	92.68	
LNC Dong Guan	LNC	Parent company	Purchase	(334,674)	73.45	Usual trade terms	Contract price	No significant difference in terms for related parties	(222,480)	94.27	

Note A: Realized gain for the period was $7,561 thousand.

Note B: All intercompany gains and losses from investment have been eliminated from consolidation.

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note A)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	$ 1,757,991	4.99	$ -	-	$ 913,628	$ -
	AEU	Subsidiary	1,010,490	5.21	-	-	760,962	-
	SIoT (Cayman)	Subsidiary	229,967	4.79	-	-	103,024	-
	AKMC	Subsidiary	500,833	Note 2	-	-	971,759	-
	ANA	Subsidiary	1,256,934	6.24	-	-	869,420	-
AKMC	The Company	Parent company	2,008,469	7.07	-	-	1,238,863	-
LNC	LNC Dong Guan	Subsidiary	222,480	1.55	-	-	30,327	-

Note A: All intercompany gains and losses from investment have been eliminated from consolidation.

Note B: Sales revenue on materials delivered to subcontractors have been eliminated from consolidation.

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars/Foreign Currency, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	$ 2,332,397	$ 2,332,397	74,623,834	100.00	$ 6,334,406	$ 621,135	$ 594,447	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	40,850,000	100.00	3,943,772	389,123	382,224	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	226,000	10,000,000	100.00	244,917	51,679	55,082	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	1,400,000	300,000,000	100.00	3,335,232	117,185	118,002	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	23.75	627,632	460,455	117,552	Equity-meth investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	297,231	(65)	(65)	Subsidiary (Note A)
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	304,865	304,865	19,230,000	64.10	430,388	1,827	587	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,114	44	13	Equity-meth investee (Note A)
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	2,057,475	100.00	671	451	451	Subsidiary (Note A)
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	931,448	95,601	99,665	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	117,695	34,421	34,354	Subsidiary (Note A)
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	63,060	16,732	8,482	Subsidiary (Note A)
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	19,264	(2,754)	(3,124)	Subsidiary (Note A)
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	406,507	86,840	84,500	Subsidiary (Note A)
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	68,506	22,846	22,821	Subsidiary (Note A)
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	321,633	66,510	65,750	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	78,110	22,213	17,710	Subsidiary (Note A)
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,095	50	50	Subsidiary (Note A)
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	96,851	1,080	1,080	Subsidiary (Note A)
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60.00	1,710,653	(329,442)	(198,701)	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	14,664	371	230	Subsidiary (Note A)
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	135,000	18,000,000	45.00	66,133	(97,510)	(43,879)	Equity-meth investee (Note A)
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	69,740	76.00	(33,191)	(7,097)	(7,147)	Subsidiary (Note A)
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	553,145	241,183	40,067	Equity-meth investee (Note A)
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	63,468	4,190	(5,487)	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	250,888	(322)	(61)	Equity-meth investee
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	-	100.00	12,531	(10,718)	(10,718)	Subsidiary (Note A)
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	-	500,000	50.00	380,012	164,575	64,794	Subsidiary
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	-	260,870	60.00	51,104	13,602	4,498	Subsidiary (Note A)
	AIL	Israel	Sale of industrial network communications systems	8,653	-	100	100.00	8,667	-	-	Subsidiary (Note A)
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24.00	-	(7,097)	-	Subsidiary (Note A)
AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	-	286,100	28.61	222,146	164,575	40,287	Subsidiary
Advantech Corporate Investment	Cermate Taiwan	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	119,456	12,690	6,980	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	14,013	(219)	(87)	Equity-meth investee (Note A)
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	161,043	71,842	12,829	Equity-meth investee (Note A)
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	506,867	(114,386)	(22,499)	Equity-meth investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
	Huan Yan, Jhih-Lian Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	$ 5,000	$ 5,000	500,000	50.00	$ 4,987	$ 32	$ 16	Subsidiary (Note A)
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	5,000	500,000	50.00	2,593	(946)	(473)	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,512	(322)	-	Equity-meth investee
	i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	9,237	10,067	917,000	22.93	7,050	(8,772)	(2,212)	Equity-meth investee (Note A)
	DotZero Co., Ltd.	Taichung, Taiwan	Intelligent metal processing integration	8,100	4,900	810,000	27.00	6,238	(6,341)	(3,107)	Equity-meth investee (Note A)
	Mildex Opticoal Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	202,948	202,948	15,710,000	15.01	181,388	(89,813)	(13,448)	Equity-meth investee (Note A)
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	-	5,084,273	18.61	154,910	60,399	6,999	Equity-meth investee (Note A)
	ACI IOT Investment Fund-1 Corporation	Taipei, Taiwan	Investment holding company	238,000	-	23,800,000	79.30	252,224	17,930	14,224	Subsidiary (Note A)
	ACISM	Samoa	General investment	18,214	-	1	100.00	13,609	(3,751)	(3,751)	Subsidiary (Note A)
	Smasoft technology Co., Ltd.	Taipei, Taiwan	Manufacturing and sale of electronics equipment	15,000	-	170,455	20.00	15,000	(7,566)	-	Equity-meth investee (Note A)
	Hwacom Systems Inc.	Taipei, Taiwan	Computer systems service	357,119	-	24,575,,000	19.99	392,645	100,609	35,594	Equity-meth investee (Note A)
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	4,004,279	389,218	382,374	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,804,833	149,171	148,787	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,092,215	283,286	282,883	Subsidiary
	ADB	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,414	122	122	Subsidiary (Note A)
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US$ 50,000	US$ 50,000	30,000,000	100.00	1,794,270	200,346	182,182	Subsidiary (Note A)
SIoT (Cayman)	A-SIoT	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100.00	514,709	(16,344)	(10,539)	Subsidiary (Note A)
	AIH	Taipei, Taiwan	Service of software	7,700	-	770,000	70.00	6,799	(1,288)	(1,253)	Subsidiary (Note A)
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	153,644	40.00	1,149,473	(329,442)	(131,777)	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	1,080,942	91,760	91,760	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100.00	34,916	4,426	4,426	Subsidiary (Note A)
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	61,775	16,732	8,199	Subsidiary (Note A)
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	15,199	6,750	6,750	Subsidiary (Note A)
Cermate Taiwan	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	100,597	17,219	16,208	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,900,000	100.00	24,109	2,672	2,992	Subsidiary
Better Auto	Famous Now	Hong Kong	General investment	US$ 4,000	US$ 4,000	1	100.00	30,364	2,668	2,668	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	US$ 39,481	US$ 39,481	-	100.00	66,240	(14,304)	(15,374)	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBIE	ACZ	Czech Republic	Manufacturing automation	-	-	-	100.00	269,795	21,865	21,865	Subsidiary

Note A: The respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group’s consolidated financial statements.

Note B: All intercompany gains and losses from investment have been eliminated from consolidation.

Note C: Refer to Table 8 for investments in mainland China.

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US$ 43,750 thousand (Note E)	Indirect	$ 1,118,254 (US$ 37,300 thousand)	$ -	$ -	$ 1,118,254 (US$ 37,300 thousand)	$ 389,218	100	$ 382,374	$ 4,004,279	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US$ 4,230 thousand	Indirect	159,853 (US$ 5,332 thousand)	-	-	159,853 (US$ 5,332 thousand)	288,328	100	287,962	1,436,240	336,735 (US$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US$ 8,000 thousand	Indirect	239,840 (US$ 8,000 thousand)	-	-	239,840 (US$ 8,000 thousand)	(7,199)	100	(7,237)	631,020	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	44	100	44	28,813	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US$ 4,000 thousand	Indirect	95,756 (US$ 3,194 thousand)	-	-	95,756 (US$ 3,194 thousand)	2,668	100	2,987	24,027	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,234 (US$ 308 thousand)	-	-	9,234 (US$ 308 thousand)	14,616	90	12,144	76,324	40,128 (US$ 717 thousand) (RMB 4,328 thousand)
Cermate Technologies (Shanghai) Inc. ("Cermate Shanghai")	Sale of Human Machine Interface	US$ 520 thousand	Indirect	17,149 (US$ 572 thousand)	-	-	17,149 (US$ 572 thousand)	4,064	100	4,064	33,421	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Advantech Service-IoT (Shanghai) Co., Ltd. ("SioT (China)")	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	$ -	$ -	(Note F)	$ (22,364)	100	$ (22,364)	$ 36,175	$ -
Shanghai Yanlo Co., Ltd. ("Yanlo")	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(2,645)	45	(1,190)	3,092	-
Tianjin Anjie IOT Science And Technology Co., Ltd. ("Anjie")	Operation and maintenance for intelligent general equipment、consulting services for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	-	20	-	2,582	-
GSD Environmental Technology Co., Ltd. ("GSD")	Development, consulting, and services in the field of environmental technology	RMB 10,000 thousand	Indirect	17,478 (US$ 583 thousand)	-	-	17,478 (US$ 583 thousand)	(9,378)	40	(3,751)	13,608	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
$1,663,560 (US$55,489 thousand) (Note D)	$2,850,349 (US$95,075 thousand)	$19,638,876 (Note I)

Note A: Expect of AKMC and ACN respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group's consolidated financial statements.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Table 5.

Note C: Remittance by ACN.

Note D: Included is the outflow of US$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in Guang Zhou. When this investee was liquidated in September 2005, the outward investment remittance ceased upon the approval of the Ministry of Economic Affairs (MOEA). For each future capital return, the Company will apply to the MOEA for the approval of the return as well as reduce the accumulated investment amount by the return amount.

Note E: For AKMC, there was a capital increase of US$6,450 thousand out of earnings.

(Continued)

Note F: Remittance by AAC (BVI) and AiSC.

Note G: Remittance by AiSC; AiSC's investments in associate accounted for using the equity method.

Note H: The exchange rate was US$1=NT$29.980 and RMB1=NT$4.305.

Note I: The maximum allowable limit on investment was at 60% of the consolidated net asset value of the Company.

Note J: All intercompany gains and losses from investment have been eliminated from consolidation.

(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	AAC(HK)	1	Other receivables	$ 23	45 days EOM	-
		AAC(HK)	1	Receivables from related parties	49	45 days EOM	-
		AAU	1	Receivables from related parties	61,417	60-90 days	-
		AAU	1	Other revenue	2,223	Normal	-
		AAU	1	Other receivables	627	60-90 days	-
		AAU	1	Sales revenue	244,769	Normal	-
		ABR	1	Receivables from related parties	3,143	90 days EOM	-
		ABR	1	Other revenue	3,821	Normal	-
		ABR	1	Other receivables	309	90 days EOM	-
		ABR	1	Sales revenue	124,070	Normal	-
		ACN	1	Sales revenue	8,103,451	Normal	15
		ACN	1	Receivables from related parties	1,757,991	45 days EOM	4
		ACZ	1	Sales revenue	219	Normal	-
		ACZ	1	Other revenue	2,432	Normal	-
		ACZ	1	Other receivables	398	60 days EOM	-
		ACZ	1	Receivables from related parties	81	Normal	-
		AEU	1	Sales revenue	5,113,619	Normal	9
		AEU	1	Receivables from related parties	1,006,415	30 days EOM	2
		AEU	1	Other revenue	23,889	Normal	-
		AEU	1	Other receivables	4,075	30 days EOM	-
		AID	1	Receivables from related parties	9,895	45 days after invoice date	-
		AID	1	Other revenue	1,373	Normal	-
		AID	1	Other receivables	433	45 days after invoice date	-
		AID	1	Sales revenue	32,232	Normal	-
		AIN	1	Receivables from related parties	6,557	60 days EOM	-
		AIN	1	Sales revenue	84,556	Normal	-
		AJP	1	Sales revenue	917,540	Normal	2
		AJP	1	Receivables from related parties	85,926	60-90 days	-
		AJP	1	Other revenue	6,120	Normal	-
		AJP	1	Other receivables	854	60-90 days	-
		AKMC	1	Receivables from related parties	500,833	45 days EOM	1
		AKMC	1	Sales revenue	4	Normal	-
		AKR	1	Sales revenue	1,037,306	Normal	2
		AKR	1	Receivables from related parties	73,156	60 days after invoice date	-
		AKR	1	Other revenue	7,581	Normal	-
		AKR	1	Other receivables	742	60 days after invoice date	-
		AKST	1	Receivables from related parties	4,878	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		AKST	1	Sales revenue	$ 9,761	Normal	-
		AMY	1	Sales revenue	143,909	Normal	-
		AMY	1	Receivables from related parties	11,371	45 days EOM	-
		AMY	1	Other revenue	1,886	Normal	-
		AMY	1	Other receivables	155	45 days EOM	-
		ANA	1	Sales revenue	9,875,397	Normal	18
		ANA	1	Receivables from related parties	1,251,888	45 days EOM	3
		ANA	1	Other revenue	17,730	Normal	-
		ANA	1	Other receivables	5,046	45 days EOM	-
		APL	1	Sales revenue	21,570	Normal	-
		APL	1	Receivables from related parties	1,261	45 days EOM	-
		ARU	1	Receivables from related parties	5,063	45 days EOM	-
		ARU	1	Sales revenue	5,165	Normal	-
		ASG	1	Sales revenue	295,845	Normal	1
		ASG	1	Receivables from related parties	66,078	60-90 days	-
		ASG	1	Other revenue	2,429	Normal	-
		ASG	1	Other receivables	619	60-90 days	-
		A-SIoT	1	Receivables from related parties	17,812	30 days after invoice date	-
		A-SIoT	1	Other revenue	3,024	Normal	-
		A-SIoT	1	Other receivables	311	30 days after invoice date	-
		A-SIoT	1	Sales revenue	260,008	Normal	-
		ATH	1	Sales revenue	111,174	Normal	-
		ATH	1	Receivables from related parties	2,412	30 days after invoice date	-
		ATH	1	Other revenue	1,972	Normal	-
		ATH	1	Other receivables	226	30 days after invoice date	-
		ATJ	1	Sales revenue	2,294	Normal	-
		ATJ	1	Receivables from related parties	80	30 days EOM	-
		ATJ	1	Other receivables	11	30 days EOM	-
		ATR	1	Sales revenue	86,518	Normal	-
		ATR	1	Receivables from related parties	423	45 days EOM	-
		AVN	1	Sales revenue	73,046	Normal	-
		AVN	1	Receivables from related parties	12,744	45 days EOM	-
		AVN	1	Other receivables	88	45 days EOM	-
		B+B	1	Sales revenue	243,951	Normal	-
		B+B	1	Receivables from related parties	33,448	45 days EOM	-
		B+B	1	Other revenue	4,390	Normal	-
		B+B	1	Other receivables	377	60 days EOM	-
		BBIE	1	Other revenue	1,013	Normal	-
		BBIE	1	Other receivables	158	45 days after invoice date	-
		SIoT (Cayman)	1	Sales revenue	1,190,382	Normal	2
		SIoT (Cayman)	1	Receivables from related parties	229,852	30 days EOM	-
		SIoT (Cayman)	1	Other receivables	115	30 days EOM	-
		Cermate (Taiwan)	1	Sales revenue	26	Normal	-
		Cermate (Taiwan)	1	Other receivables	105	30 days EOM	-
		Cermate (Taiwan)	1	Receivables from related parties	7	30 days EOM	-
		Cermate (Taiwan)	1	Other revenue	1,200	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		Advantech Corporate Investment	1	Rental revenue	$ 36	Normal	-
		Advanixs Corp.	1	Sales revenue	667,830	Normal	1
		Advanixs Corp.	1	Receivables from related parties	63,810	60-90 days	-
		Advanixs Corp.	1	Rental revenue	600	Normal	-
		Advanixs Corp.	1	Other receivables	2,098	60-90 days	-
		Huan Yan Jhih-Lian Co., Ltd.	1	Sales revenue	137	Normal	-
		Huan Yan Jhih-Lian Co., Ltd.	1	Receivables from related parties	144	60-90 days EOM	-
		LNC	1	Sales revenue	88	Normal	-
		LNC	1	Other receivables	280	60-90 days EOM	-
		LNC	1	Other revenue	1,600	Normal	-
		LNC	1	Receivables from related parties	22	60-90 days EOM	-
1	AAC(HK)	The Company	2	Other revenue	8,160	Normal	-
2	AAU	The Company	2	Receivables from related parties	91	60-90 days	-
		The Company	2	Sales revenue	265	Normal	-
		ANA	3	Receivables from related parties	7	30 days after invoice date	-
		ANA	3	Sales revenue	36	Normal	-
3	ABR	The Company	2	Sales revenue	2	Normal	-
4	ACN	The Company	2	Receivables from related parties	1,489	30 days EOM	-
		The Company	2	Sales revenue	6,209	Normal	-
		AEU	3	Sales revenue	14,769	Normal	-
		AiSC	3	Receivables from related parties	1,213	Immediate payment	-
		AiSC	3	Sales revenue	30,003	Normal	-
		AKMC	3	Receivables from related parties	10,302	60-90 days	-
		AKMC	3	Sales revenue	43,706	Normal	-
		AKR	3	Sales revenue	59	Normal	-
		AMY	3	Sales revenue	2	Normal	-
		ANA	3	Sales revenue	327	Normal	-
		AXA	3	Other receivables	137	60 days EOM	-
		SIoT (China)	3	Receivables from related parties	17,239	30 days EOM	-
		SIoT (China)	3	Sales revenue	102,411	Normal	-
5	ACZ	The Company	2	Sales revenue	30,047	Normal	-
		The Company	2	Receivables from related parties	3,929	45 days EOM	-
		The Company	2	Other revenue	33	Normal	-
		AAU	3	Sales revenue	1	Normal	-
		AEU	3	Sales revenue	218,893	Normal	-
		AEU	3	Receivables from related parties	36,655	45 days EOM	-
		AEU	3	Other revenue	5,239	Normal	-
		AEU	3	Other receivables	628	45 days EOM	-
		ANA	3	Sales revenue	23,223	Normal	-
		ANA	3	Receivables from related parties	3,205	45 days EOM	-
		APL	3	Sales revenue	10	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		B+B	3	Sales revenue	$ 43,950	Normal	-
		B+B	3	Receivables from related parties	564	45 days EOM	-
		Conel Automation	3	Other revenue	626	45 days EOM	-
6	ADB	The Company	2	Other revenue	18,302	Normal	-
		The Company	2	Other receivables	1,694	60 days EOM	-
7	AEU	The Company	2	Other receivables	52,679	30 days after invoice date	-
		The Company	2	Receivables from related parties	3,118	30 days EOM	-
		The Company	2	Other revenue	151	Normal	-
		The Company	2	Sales revenue	25,137	Normal	-
		AAU	3	Sales revenue	2	Normal	-
		ACN	3	Sales revenue	305	Normal	-
		ACZ	3	Receivables from related parties	3	45 days EOM	-
		ACZ	3	Sales revenue	44	Normal	-
		AID	3	Sales revenue	5	Normal	-
		AJP	3	Sales revenue	19	Normal	-
		AKMC	3	Receivables from related parties	25	30 days EOM	-
		AKR	3	Sales revenue	247	Normal	-
		ANA	3	Receivables from related parties	1,052	30 days after invoice date	-
		ANA	3	Sales revenue	11,696	Normal	-
		APL	3	Receivables from related parties	399	30 days after invoice date	-
		APL	3	Sales revenue	3,020	Normal	-
		A-SIoT	3	Receivables from related parties	6,833	30 days after delivery of goods	-
		A-SIoT	3	Sales revenue	39,091	Normal	-
		B+B	3	Receivables from related parties	22	45 days EOM	-
		B+B	3	Sales revenue	22	Normal	-
		BBIE	3	Receivables from related parties	161	30 days after invoice date	-
8	AID	ASG	3	Other revenue	2,642	Normal	-
		ASG	3	Receivables from related parties	737	45 days after invoice date	-
9	AIH	The Company	2	Receivables from related parties	308	30 days EOM	-
		The Company	2	Other revenue	293	Normal	-
10	AIN	The Company	2	Receivables from related parties	185	60 days EOM	-
		The Company	2	Other revenue	9	Normal	-
11	AiSC	AAC(HK)	3	Other receivables	4,320	90 days	-
		ACN	3	Rental revenue	19,270	Normal	-
		ACN	3	Other receivables	38,953	Immediate payment	-
		ACN	3	Sales revenue	15,361	Normal	-
		AKMC	3	Receivables from related parties	3	30 days EOM	-
		AKMC	3	Sales revenue	3	Normal	-
		SIoT (China)	3	Sales revenue	11,081	Normal	-
		SIoT (China)	3	Other revenue	2,954	Normal	-
		SIoT (China)	3	Receivables from related parties	895	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
12	AJP	The Company	2	Sales revenue	$ 2,293	Normal	-
		The Company	2	Receivables from related parties	743	60-90 days	-
		The Company	2	Other revenue	171	Normal	-
		ACN	3	Receivables from related parties	61	45 days EOM	-
		AKMC	3	Sales revenue	14,491	Normal	-
		AKMC	3	Receivables from related parties	4,155	45 days EOM	-
		AKMC	3	Other revenue	18	45 days EOM	-
		ATJ	3	Sales revenue	18,715	Normal	-
		ATJ	3	Receivables from related parties	3,449	45 days EOM	-
13	AKMC	The Company	2	Sales revenue	12,512,596	Normal	23
		The Company	2	Receivables from related parties	2,008,469	60 days EOM	4
		The Company	2	Other revenue	108	Normal	-
		ACN	3	Sales revenue	393,324	Normal	1
		ACN	3	Receivables from related parties	54,379	60-90 days	-
		ACN	3	Other revenue	3,846	Normal	-
		AEU	3	Sales revenue	4,260	Normal	-
		AEU	3	Receivables from related parties	623	30 days after invoice date	-
		AiSC	3	Sales revenue	98	Normal	-
		AKST	3	Sales revenue	3,594	Normal	-
		ANA	3	Sales revenue	4,943	Normal	-
		ANA	3	Receivables from related parties	253	60-90 days	-
		SIoT (Cayman)	3	Sales revenue	215,961	Normal	-
		SIoT (Cayman)	3	Receivables from related parties	37,672	30 days EOM	-
		SIoT (China)	3	Sales revenue	3,607	Normal	-
		SIoT (China)	3	Receivables from related parties	422	30 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	26	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	58,465	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	18,501	60 days EOM	-
		Advanixs Corp.	3	Sales revenue	3,034	Normal	-
		Advanixs Corp.	3	Receivables from related parties	352	30 days EOM	-
14	AKR	The Company	2	Other revenue	1,896	Normal	-
		The Company	2	Sales revenue	4	Normal	-
		The Company	2	Receivables from related parties	242	90 days EOM	-
		AVN	3	Receivables from related parties	3,977	30 days EOM	-
		AVN	3	Sales revenue	5,692	Normal	-
15	AKST	The Company	2	Sales revenue	2,383	Normal	-
		The Company	2	Other receivables	1,546	30 days EOM	-
		The Company	2	Receivables from related parties	2,225	30 days EOM	-
		The Company	2	Other revenue	42	Normal	-
		AKMC	3	Sales revenue	1,303	Normal	-
		AKMC	3	Receivables from related parties	1	30 days EOM	-
		AKR	3	Sales revenue	168	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details: Financial Statement Account	Transaction Details: Amount	Transaction Details: Payment Terms	Transaction Details: % of Consolidated Assets/Revenue (Note C)
16	AMX	The Company	2	Other revenue	$ 7,425	Normal	-
17	AMY	The Company	2	Other revenue	27	Normal	-
		ASG	3	Other revenue	13	Normal	-
18	ANA	The Company	2	Sales revenue	89,640	Normal	-
		The Company	2	Receivables from related parties	13,397	45 days EOM	-
		The Company	2	Other revenue	2,181	Normal	-
		AAU	3	Sales revenue	9	Normal	-
		ABR	3	Sales revenue	731	Normal	-
		ABR	3	Receivables from related parties	36	30 days after invoice date	-
		AEU	3	Sales revenue	22,482	Normal	-
		AEU	3	Receivables from related parties	15,789	60-90 days	-
		AID	3	Sales revenue	18	Normal	-
		AKMC	3	Sales revenue	36	Normal	-
		AKMC	3	Receivables from related parties	4,436	30 days EOM	-
		AKR	3	Sales revenue	21	Normal	-
		A-SIoT	3	Sales revenue	1,506	Normal	-
		A-SIoT	3	Receivables from related parties	585	60-90 days	-
		B+B	3	Sales revenue	19,345	Normal	-
		B+B	3	Receivables from related parties	1,450	60-90 days	-
		B+B	3	Rental revenue	148	Normal	-
19	APL	The Company	2	Other revenue	682	Normal	-
		The Company	2	Receivables from related parties	827	30 days after invoice date	-
		AEU	3	Sales revenue	122,819	Normal	-
		AEU	3	Receivables from related parties	19,179	30 days after invoice date	-
		ANA	3	Receivables from related parties	13	30 days after invoice date	-
		A-SIoT	3	Receivables from related parties	1,631	30 days after invoice date	-
20	ASG	The Company	2	Sales revenue	171	Normal	-
		The Company	2	Other revenue	620	Normal	-
		AID	3	Sales revenue	181	Normal	-
		AKMC	3	Sales revenue	16	Normal	-
		AMY	3	Sales revenue	4,188	Normal	-
		ANA	3	Sales revenue	1,717	Normal	-
		ATH	3	Sales revenue	14,534	Normal	-
		ATH	3	Other revenue	2,504	Normal	-
		ATH	3	Receivables from related parties	2,218	30 days EOM	-
		ATH	3	Other receivables	250	30 days EOM	-
		AVN	3	Sales revenue	112	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
21	A-SIoT	The Company	2	Receivables from related parties	$ 4,462	30 days after invoice date	-
		The Company	2	Other revenue	67	Normal	-
		The Company	2	Sales revenue	36,280	Normal	-
		AAU	3	Receivables from related parties	6	30 days after invoice date	-
		AEU	3	Other receivables	3,589	30 days EOM	-
		AEU	3	Other revenue	5,529	Normal	-
		AEU	3	Sales revenue	978	Normal	-
		AKMC	3	Receivables from related parties	24	60 days after invoice date	-
		AKMC	3	Sales revenue	2	Normal	-
		AKR	3	Sales revenue	3,010	Normal	-
		ANA	3	Sales revenue	3,249	Normal	-
		APL	3	Receivables from related parties	5	60 days after invoice date	-
		APL	3	Sales revenue	19,009	Normal	-
		ATH	3	Sales revenue	52	Normal	-
		SIoT (Cayman)	3	Receivables from related parties	160	30 days after delivery of goods	-
22	ATH	SIoT (Cayman)	3	Other revenue	5	Normal	-
23	ATJ	AJP	3	Other receivables	320	30 days EOM	-
		AJP	3	Sales revenue	2,059	Normal	-
24	ATR	The Company	2	Other revenue	313	Normal	-
25	AVN	The Company	2	Receivables from related parties	38	60 days EOM	-
		AKR	3	Sales revenue	17	Normal	-
26	AXA	ACN	3	Other receivables	8,610	30 days EOM	-
		ACN	3	Other revenue	838	Normal	-
27	B+B	The Company	2	Sales revenue	45,303	Normal	-
		The Company	2	Receivables from related parties	4,909	90 days EOM	-
		The Company	2	Other revenue	143	Normal	-
		AEU	3	Sales revenue	40,083	Normal	-
		AEU	3	Receivables from related parties	6,002	90 days EOM	-
		AIN	3	Sales revenue	4	Normal	-
		AIN	3	Receivables from related parties	4	30 days after invoice date	-
		AKR	3	Sales revenue	28	Normal	-
		AKR	3	Receivables from related parties	3	45 days after invoice date	-
		ANA	3	Sales revenue	28,801	Normal	-
		ANA	3	Receivables from related parties	2,468	45 days EOM	-
		ANA	3	Other revenue	3,938	Normal	-
		APL	3	Sales revenue	5	Normal	-
		BBIE	3	Other revenue	1,533	Normal	-
		BBIE	3	Receivables from related parties	729	45 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
28	BBIE	ACZ	3	Other revenue	$ 21,570	Normal	-
		AEU	3	Sales revenue	48,262	Normal	-
		AEU	3	Receivables from related parties	8,638	60 days after invoice date	-
		B+B	3	Receivables from related parties	2,735	60 days after invoice date	-
		B+B	3	Other revenue	5,665	Normal	-
29	SIoT (Cayman)	The Company	2	Receivables from related parties	18	30 days after invoice date	-
		AAU	3	Sales revenue	35,114	Normal	-
		AAU	3	Receivables from related parties	20,539	60 days EOM	-
		AEU	3	Sales revenue	435,604	Normal	1
		AEU	3	Receivables from related parties	62,655	45 days EOM	-
		AJP	3	Sales revenue	19,816	Normal	-
		AJP	3	Receivables from related parties	2,321	60 days EOM	-
		AJP	3	Other receivables	13	60 days EOM	-
		AJP	3	Other revenue	3	Normal	-
		AKMC	3	Sales revenue	150	Normal	-
		AKR	3	Sales revenue	32,471	Normal	-
		AKR	3	Receivables from related parties	13,855	60 days EOM	-
		ANA	3	Sales revenue	936,044	Normal	2
		ANA	3	Receivables from related parties	92,020	30 days EOM	-
		ASG	3	Sales revenue	18,880	Normal	-
		ASG	3	Receivables from related parties	1,978	60 days EOM	-
		A-SIoT	3	Sales revenue	251,922	Normal	-
		A-SIoT	3	Receivables from related parties	10,152	60 days EOM	-
30	SIoT (China)	ACN	3	Sales revenue	519	Normal	-
		ACN	3	Receivables from related parties	400	Normal	-
31	LNC Dong Guan Co., Ltd.	LNC	3	Sales revenue	7,683	Normal	-
		LNC	3	Receivables from related parties	4,471	90 days EOM	-
32	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	1,106	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	269	60 days EOM	-
33	Cermate (Taiwan)	The Company	2	Sales revenue	3,756	Normal	-
		The Company	2	Receivables from related parties	132	30-60 days	-
		The Company	2	Other revenue	277	Normal	-
		AKMC	3	Sales revenue	2,395	Normal	-
		AKMC	3	Receivables from related parties	19	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	73,355	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	6,419	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
34	Cermate (Shenzhen)	ACN	3	Sales revenue	$ 3	Normal	-
		AKMC	3	Sales revenue	30,790	Normal	-
		AKMC	3	Receivables from related parties	4,309	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	27,789	Normal	-
		Cermate (Shanghai)	3	Receivables from related parties	2,168	30 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	58,584	Normal	-
		Cermate (Taiwan)	3	Receivables from related parties	6,925	60 days EOM	-
35	Advantech Corporate Investment	The Company	2	Interest revenue	2,140	Normal	-
36	Advanixs Corporate	Cermate (Taiwan)	3	Sales revenue	899	Normal	-
37	LNC	The Company	2	Sales revenue	956	Normal	-
		LNC Dong Guan Co., Ltd.	3	Sales revenue	334,674	Normal	1
		LNC Dong Guan Co., Ltd.	3	Receivables from related parties	222,480	90 days EOM	-

Note A: The parent company and its subsidiaries are numbered as follows:

1. Advantech Co., Ltd. is numbered “0”.
2. Subsidiaries are numbered from “1” onward.

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 of the Group’s consolidated total assets as of December 31, 2019, while revenue, costs and expenses are shown as a percentage of the Group’s consolidated total operating revenue for the year ended December 31, 2019.

Note D: All intercompany transactions have been eliminated from consolidation.

(Concluded)

請用 LOGO

Advantech Co., Ltd.

K.C. Liu , Chairman

ADVANTECH

2019 ANNUAL REPORT