

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2017, December 31, 2016 and June 30, 2016 and the related consolidated statements of comprehensive income for the three months ended and six months ended June 30, 2017 and 2016, and changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 13, the financial statements of the subsidiaries included in the consolidation for the six months ended June 30, 2017 and 2016 had not been reviewed, except those of significant subsidiaries. The total assets of the unreviewed subsidiaries were 17.14% (NT\$6,947,566 thousand) and 15.11% (NT\$5,647,094 thousand) of the Group's consolidated total assets as of June 30, 2017 and 2016, respectively. The total liabilities of the unreviewed subsidiaries were 13.12% (NT\$2,098,207 thousand) and 12.17% (NT\$1,812,304 thousand) of the Group's consolidated total liabilities as of June 30, 2017 and 2016, respectively. The comprehensive incomes of these subsidiaries were 20.41% (NT\$403,152 thousand), 23.67% (NT\$290,264 thousand), 21.54% (NT\$620,025 thousand) and 23.98% (NT\$644,649 thousand) of the Group's consolidated comprehensive income for the three months ended and six months ended June 30, 2017 and 2016, respectively. Additional disclosures in Note 33 "Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews and the review reports of the other auditors, except for the effects of any adjustments as might have been determined to be necessary had the financial statements of the subsidiaries described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Advantech Co., Ltd. and subsidiaries referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 27, 2017

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,368,968	8	\$ 4,637,577	12	\$ 3,580,595	10
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	116,405	-	113,028	-	219,422	1
Available-for-sale financial assets - current (Notes 8 and 28)	5,445,872	14	2,956,586	8	3,582,932	10
Debt investments with no active market - current (Notes 10 and 30)	46,453	-	10,007	-	87,942	-
Notes receivable (Notes 11 and 29)	1,113,715	3	965,081	2	830,722	2
Trade receivables (Note 11)	6,528,787	16	6,384,834	17	6,252,435	17
Trade receivables from related parties (Note 29)	12,908	-	13,957	-	7,340	-
Other receivables	11,783	-	13,775	-	28,564	-
Other receivables from related parties (Note 29)	74,964	-	-	-	88,313	-
Inventories (Note 12)	5,969,434	15	5,597,236	15	4,970,782	13
Other current assets (Note 17)	545,990	1	489,630	1	478,581	1
Total current assets	<u>23,235,279</u>	<u>57</u>	<u>21,181,711</u>	<u>55</u>	<u>20,127,628</u>	<u>54</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 8 and 28)	1,540,240	4	1,712,578	5	1,715,282	5
Financial assets measured at cost - non-current (Notes 9 and 28)	67,290	-	-	-	-	-
Investments accounted for using the equity method (Note 14)	784,370	2	598,454	2	566,999	1
Property, plant and equipment (Notes 15 and 30)	9,997,910	25	10,089,836	26	9,866,350	26
Goodwill (Note 16)	2,852,088	7	2,845,831	7	2,856,742	8
Other intangible assets	1,224,467	3	1,317,440	3	1,372,562	4
Deferred tax assets (Notes 4 and 23)	432,719	1	369,156	1	366,490	1
Prepayments for business facilities	50,802	-	47,578	-	86,245	-
Long-term prepayments for leases (Note 17)	311,648	1	325,224	1	345,986	1
Other non-current assets	36,639	-	51,145	-	60,053	-
Total non-current assets	<u>17,298,173</u>	<u>43</u>	<u>17,357,242</u>	<u>45</u>	<u>17,236,709</u>	<u>46</u>
TOTAL	<u>\$ 40,533,452</u>	<u>100</u>	<u>\$ 38,538,953</u>	<u>100</u>	<u>\$ 37,364,337</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 373,140	1	\$ 483,750	1	\$ 484,125	1
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	37,246	-	10,231	-	8,179	-
Trade payables (Note 29)	4,194,414	10	4,983,381	13	3,592,804	10
Dividends payable	3,988,367	10	-	-	3,791,118	10
Other payables (Notes 19 and 29)	3,363,786	8	3,902,499	10	3,355,675	9
Current tax liabilities (Notes 4 and 23)	1,376,655	3	1,229,400	3	1,236,057	3
Short-term warranty provision	174,877	1	167,122	1	170,294	1
Current portion of long-term borrowings (Note 18)	13,057	-	-	-	-	-
Other current liabilities	641,549	2	659,228	2	606,829	2
Total current liabilities	<u>14,163,091</u>	<u>35</u>	<u>11,435,611</u>	<u>30</u>	<u>13,245,081</u>	<u>36</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 18 and 30)	109,656	-	-	-	-	-
Deferred tax liabilities (Notes 4 and 23)	1,372,380	3	1,362,687	3	1,290,199	3
Net defined benefit liabilities (Notes 4 and 20)	211,359	1	212,360	1	182,336	1
Other non-current liabilities	139,013	-	141,398	-	175,247	-
Total non-current liabilities	<u>1,832,408</u>	<u>4</u>	<u>1,716,445</u>	<u>4</u>	<u>1,647,782</u>	<u>4</u>
Total liabilities	<u>15,995,499</u>	<u>39</u>	<u>13,152,056</u>	<u>34</u>	<u>14,892,863</u>	<u>40</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	6,333,041	16	6,330,741	16	6,318,531	17
Advance receipts for share capital	-	-	100	-	-	-
Share dividends to be distributed	633,074	1	-	-	-	-
Total share capital	<u>6,966,115</u>	<u>17</u>	<u>6,330,841</u>	<u>16</u>	<u>6,318,531</u>	<u>17</u>
Capital surplus	6,301,882	15	6,058,884	16	5,720,675	15
Retained earnings						
Legal reserve	5,039,962	13	4,473,276	11	4,473,276	12
Special reserve	85,204	-	-	-	-	-
Unappropriated earnings	6,091,129	15	8,435,785	22	5,605,807	15
Total retained earnings	<u>11,216,295</u>	<u>28</u>	<u>12,909,061</u>	<u>33</u>	<u>10,079,083</u>	<u>27</u>
Other equity						
Exchange differences on translation of foreign financial statements	(501,626)	(1)	(197,633)	-	108,555	-
Unrealized gains on available-for-sale financial assets	373,276	1	112,429	-	109,308	1
Total other equity	<u>(128,350)</u>	<u>-</u>	<u>(85,204)</u>	<u>-</u>	<u>217,863</u>	<u>1</u>
Total equity attributable to owners of the Company	24,355,942	60	25,213,582	65	22,336,152	60
NON-CONTROLLING INTERESTS	<u>182,011</u>	<u>1</u>	<u>173,315</u>	<u>1</u>	<u>135,322</u>	<u>-</u>
Total equity	<u>24,537,953</u>	<u>61</u>	<u>25,386,897</u>	<u>66</u>	<u>22,471,474</u>	<u>60</u>
TOTAL	<u>\$ 40,533,452</u>	<u>100</u>	<u>\$ 38,538,953</u>	<u>100</u>	<u>\$ 37,364,337</u>	<u>100</u>

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

(With Deloitte & Touche review report dated July 27, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 29)								
Sales	\$ 11,131,558	98	\$ 10,338,007	96	\$ 20,956,220	98	\$ 20,187,723	97
Other operating revenue	<u>274,550</u>	<u>2</u>	<u>374,505</u>	<u>4</u>	<u>456,127</u>	<u>2</u>	<u>598,189</u>	<u>3</u>
Total operating revenue	11,406,108	100	10,712,512	100	21,412,347	100	20,785,912	100
OPERATING COSTS (Notes 12, 22 and 29)	<u>7,005,398</u>	<u>62</u>	<u>6,405,413</u>	<u>60</u>	<u>12,960,299</u>	<u>61</u>	<u>12,341,948</u>	<u>60</u>
GROSS PROFIT	<u>4,400,710</u>	<u>38</u>	<u>4,307,099</u>	<u>40</u>	<u>8,452,048</u>	<u>39</u>	<u>8,443,964</u>	<u>40</u>
OPERATING EXPENSES (Notes 22 and 29)								
Selling and marketing expenses	1,098,575	10	1,078,665	10	2,154,582	10	2,167,691	10
General and administrative expenses	587,250	5	637,024	6	1,208,211	6	1,247,359	6
Research and development expenses	<u>961,752</u>	<u>8</u>	<u>922,795</u>	<u>8</u>	<u>1,832,823</u>	<u>8</u>	<u>1,820,584</u>	<u>9</u>
Total operating expenses	<u>2,647,577</u>	<u>23</u>	<u>2,638,484</u>	<u>24</u>	<u>5,195,616</u>	<u>24</u>	<u>5,235,634</u>	<u>25</u>
OPERATING PROFIT	<u>1,753,133</u>	<u>15</u>	<u>1,668,615</u>	<u>16</u>	<u>3,256,432</u>	<u>15</u>	<u>3,208,330</u>	<u>15</u>
NONOPERATING INCOME								
Share of the profit of associates accounted for using the equity method (Note 14)	190,922	2	15,585	-	190,313	1	42,420	-
Interest income	4,435	-	2,676	-	8,309	-	8,517	-
Gains on disposal of property, plant and equipment	66,578	1	113,161	1	65,816	-	259,215	1
Gains on disposal of investments	27,157	-	3,801	-	123,479	1	5,453	-
Foreign exchange gains (losses), net (Notes 22 and 32)	107,552	1	(34,004)	-	(94,892)	-	(82,495)	-
Gains on financial instruments at fair value through profit or loss (Note 7)	20,403	-	34,427	-	107,410	-	69,095	1
Dividends income	633	-	196	-	1,383	-	410	-
Other income (Notes 8 and 29)	21,324	-	20,689	-	45,047	-	38,049	-
Finance costs (Note 22)	(4,154)	-	(1,315)	-	(6,871)	-	(3,397)	-
Losses on financial instruments at fair value through profit or loss (Note 7)	(47,908)	-	(4,776)	-	(49,115)	-	(34,864)	-
Other losses	<u>(498)</u>	<u>-</u>	<u>(281)</u>	<u>-</u>	<u>(8,815)</u>	<u>-</u>	<u>(1,113)</u>	<u>-</u>
Total nonoperating income	<u>386,444</u>	<u>4</u>	<u>150,159</u>	<u>1</u>	<u>382,064</u>	<u>2</u>	<u>301,290</u>	<u>2</u>

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ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 2,139,577	19	\$ 1,818,774	17	\$ 3,638,496	17	\$ 3,509,620	17
INCOME TAX EXPENSE (Note 23)	<u>(417,005)</u>	<u>(4)</u>	<u>(358,644)</u>	<u>(4)</u>	<u>(710,411)</u>	<u>(4)</u>	<u>(687,540)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>1,722,572</u>	<u>15</u>	<u>1,460,130</u>	<u>13</u>	<u>2,928,085</u>	<u>13</u>	<u>2,822,080</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign financial statements (Note 21)	184,926	1	(132,146)	(1)	(366,205)	(2)	(205,462)	(1)
Unrealized gains (losses) on available-for-sale financial assets (Note 21)	97,446	1	(122,038)	(1)	260,847	1	41,043	-
Share of the other comprehensive income of associates accounted for using the equity method (Notes 14 and 21)	2,401	-	(374)	-	(5,969)	-	(2,301)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	<u>(32,264)</u>	<u>-</u>	<u>20,492</u>	<u>-</u>	<u>62,264</u>	<u>1</u>	<u>33,448</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>252,509</u>	<u>2</u>	<u>(234,066)</u>	<u>(2)</u>	<u>(49,063)</u>	<u>-</u>	<u>(133,272)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,975,081</u>	<u>17</u>	<u>\$ 1,226,064</u>	<u>11</u>	<u>\$ 2,879,022</u>	<u>13</u>	<u>\$ 2,688,808</u>	<u>13</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,723,635	15	\$ 1,455,197	14	\$ 2,928,675	14	\$ 2,812,601	14
Non-controlling interests	<u>(1,063)</u>	<u>-</u>	<u>4,933</u>	<u>-</u>	<u>(590)</u>	<u>-</u>	<u>9,479</u>	<u>-</u>
	<u>\$ 1,722,572</u>	<u>15</u>	<u>\$ 1,460,130</u>	<u>14</u>	<u>\$ 2,928,085</u>	<u>14</u>	<u>\$ 2,822,080</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,978,606	17	\$ 1,233,110	11	\$ 2,885,529	13	\$ 2,690,340	13
Non-controlling interests	<u>(3,525)</u>	<u>-</u>	<u>(7,046)</u>	<u>-</u>	<u>(6,507)</u>	<u>-</u>	<u>(1,532)</u>	<u>-</u>
	<u>\$ 1,975,081</u>	<u>17</u>	<u>\$ 1,226,064</u>	<u>11</u>	<u>\$ 2,879,022</u>	<u>13</u>	<u>\$ 2,688,808</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 2.47</u>		<u>\$ 2.09</u>		<u>\$ 4.20</u>		<u>\$ 4.05</u>	
Diluted	<u>\$ 2.46</u>		<u>\$ 2.09</u>		<u>\$ 4.18</u>		<u>\$ 4.03</u>	

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

(With Deloitte & Touche review report dated July 27, 2017)

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ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company										Non-controlling Interests (Notes 21, 26 and 27)	Total Equity		
	Issued Capital (Note 21)				Capital Surplus (Notes 21, 22 and 25)	Retained Earnings (Notes 21 and 27)				Other Equity (Note 21)				
	Share Capital	Advance Receipts for Ordinary Shares	Share Dividends to Be Distributed	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations			Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
BALANCE AT JANUARY 1, 2016	\$ 6,318,531	\$ -	\$ -	\$ 6,318,531	\$ 5,587,555	\$ 3,962,842	\$ -	\$ 7,098,449	\$ 11,061,291	\$ 271,859	\$ 68,265	\$ 23,307,501	\$ 146,276	\$ 23,453,777
Appropriation of the 2015 earnings														
Legal reserve	-	-	-	-	-	510,434	-	(510,434)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	-	(3,791,118)	(3,791,118)	-	-	(3,791,118)	-	(3,791,118)
Compensation cost recognized for employee share options	-	-	-	-	130,939	-	-	-	-	-	-	130,939	-	130,939
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	-	2,181	-	-	-	-	-	-	2,181	-	2,181
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	-	-	-	-	(3,691)	(3,691)	-	-	(3,691)	(9,422)	(13,113)
Net profit for the six months ended June 30, 2016	-	-	-	-	-	-	-	2,812,601	2,812,601	-	-	2,812,601	9,479	2,822,080
Other comprehensive income (loss) for six months ended June 30, 2016	-	-	-	-	-	-	-	-	-	(163,304)	41,043	(122,261)	(11,011)	(133,272)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	-	-	2,812,601	2,812,601	(163,304)	41,043	2,690,340	(1,532)	2,688,808
BALANCE AT JUNE 30, 2016	<u>\$ 6,318,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,318,531</u>	<u>\$ 5,720,675</u>	<u>\$ 4,473,276</u>	<u>\$ -</u>	<u>\$ 5,605,807</u>	<u>\$ 10,079,083</u>	<u>\$ 108,555</u>	<u>\$ 109,308</u>	<u>\$ 22,336,152</u>	<u>\$ 135,322</u>	<u>\$ 22,471,474</u>
BALANCE AT JANUARY 1, 2017	\$ 6,330,741	\$ 100	\$ -	\$ 6,330,841	\$ 6,058,884	\$ 4,473,276	\$ -	\$ 8,435,785	\$ 12,909,061	\$ (197,633)	\$ 112,429	\$ 25,213,582	\$ 173,315	\$ 25,386,897
Appropriation of the 2016 earnings														
Legal reserve	-	-	-	-	-	566,686	-	(566,686)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	85,204	(85,204)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	-	(3,988,367)	(3,988,367)	-	-	(3,988,367)	-	(3,988,367)
Share dividends on ordinary shares	-	-	633,074	633,074	-	-	-	(633,074)	(633,074)	-	-	-	-	-
Recognition of employee share options by the Company	2,300	(100)	-	2,200	18,722	-	-	-	-	-	-	20,922	-	20,922
Compensation cost recognized for employee share options	-	-	-	-	222,518	-	-	-	-	-	-	222,518	-	222,518
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	-	1,758	-	-	-	-	-	-	1,758	-	1,758
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	-	-	-	-	-	-	-	-	-	15,203	15,203
Net profit for the six months ended June 30, 2017	-	-	-	-	-	-	-	2,928,675	2,928,675	-	-	2,928,675	(590)	2,928,085
Other comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	-	-	-	-	(303,993)	260,847	(43,146)	(5,917)	(49,063)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	-	-	2,928,675	2,928,675	(303,993)	260,847	2,885,529	(6,507)	2,879,022
BALANCE AT JUNE 30, 2017	<u>\$ 6,333,041</u>	<u>\$ -</u>	<u>\$ 633,074</u>	<u>\$ 6,966,115</u>	<u>\$ 6,301,882</u>	<u>\$ 5,039,962</u>	<u>\$ 85,204</u>	<u>\$ 6,091,129</u>	<u>\$ 11,216,295</u>	<u>\$ (501,626)</u>	<u>\$ 373,276</u>	<u>\$ 24,355,942</u>	<u>\$ 182,011</u>	<u>\$ 24,537,953</u>

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

(With Deloitte & Touche review report dated July 27, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,638,496	\$ 3,509,620
Adjustments for:		
Depreciation expenses	295,442	291,817
Amortization expenses	102,892	133,449
Amortization for prepayments of lease	4,335	1,963
Reversal of impairment loss on trade receivables	(9,023)	(10,841)
Net gain on fair value changes of financial assets or liabilities designated as at fair value through profit or loss	(58,295)	(34,231)
Compensation cost of employee share options	222,518	130,939
Finance costs	6,871	3,397
Interest income	(8,309)	(8,517)
Dividends income	(1,383)	(410)
Share of profit of associates	(190,313)	(42,420)
Gain on disposal of property, plant and equipment	(65,816)	(259,215)
Gain on disposal of investments	(123,479)	(5,453)
Changes in operating assets and liabilities		
Financial assets held for trading	81,933	(6,975)
Notes receivable	(148,634)	140,000
Trade receivables	(113,671)	(622,577)
Trade receivables from related parties	1,049	19,435
Other receivables	1,992	17,081
Inventories	(341,741)	179,836
Other current assets	(53,483)	2,571
Trade payables	(815,715)	178,520
Net defined benefit liabilities	(1,001)	(1,204)
Other payables	(635,531)	(58,078)
Short-term warranty provisions	7,755	24,648
Other current liabilities	(19,325)	60,534
Other noncurrent liabilities	(1,886)	15,185
Cash generated from operations	1,775,678	3,659,074
Interest received	8,309	8,145
Dividends received	1,383	314
Interest paid	(5,704)	(4,195)
Income tax paid	(476,341)	(503,118)
Net cash generated from operating activities	<u>1,303,325</u>	<u>3,160,220</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(3,867,233)	(3,337,445)
Proceeds from sale of available-for-sale financial assets	1,934,569	1,588,963
Purchase of debt investments with no active market	-	(84,769)

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2017	2016
Proceeds from sale of debt investments with no active market	\$ 17,920	\$ -
Purchase of financial assets measured at cost	(67,290)	-
Acquisition of associates	(75,000)	(135,000)
Net cash outflow from acquisition of subsidiaries	(118,847)	(1,348,172)
Dividends received from associates	62	-
Payments for property, plant and equipment	(144,246)	(643,171)
Proceeds from disposal of property, plant and equipment	78,813	519,788
Decrease (increase) in refundable deposits	15,432	(870)
Payments for intangible assets	(55,146)	(58,094)
Decrease (increase) in prepayments for business facilities	<u>10,489</u>	<u>(7,983)</u>
Net cash used in investing activities	<u>(2,270,477)</u>	<u>(3,506,753)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(91,260)	(396,500)
Repayments of long-term borrowings	(9,676)	-
Decrease in guarantee deposits received	(499)	(733)
Exercise of employee share options	20,922	-
Decrease in non-controlling interests	<u>-</u>	<u>(13,113)</u>
Net cash used in financing activities	<u>(80,513)</u>	<u>(410,346)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(220,944)</u>	<u>(20,785)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,268,609)	(777,664)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>4,637,577</u>	<u>4,358,259</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,368,968</u>	<u>\$ 3,580,595</u>

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

(With Deloitte & Touche review report dated July 27, 2017)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

To improve the entire operating efficiency of Advantech Co., Ltd. (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 indirect 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 dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on July 27, 2017.

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 the Financial Supervisory Commission (FSC) of the Republic of China

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

- 1) Amendment to IFRS 3 “Business Combinations”

IFRS 3 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment should be applied prospectively to business combination with acquisition date on or after January 1, 2017. Refer to Note 26 for the information on business combination that occurred in 2017.

2) Amendment to IFRS 8 “Operating Segments”

IFRS 8 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The judgments made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017 (refer to Note 34).

3) Amendments to IFRS 13 “Fair Value Measurement”

The basis for conclusions of IFRS 13 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that when the amendment becomes effective in 2017, the short-term receivables and payables with no stated interest rate is measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions. Refer to Note 29 for related disclosures.

- b. 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 by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition, measurement and impairment of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Based on an analysis of the Group's financial assets as at June 30, 2017 on the basis of the facts and circumstances that exist at that date, the Group has performed a preliminary assessment of the impact of IFRS 9 to the classification and measurement of financial assets as follows:

- a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides, unlisted shares measured at cost will be measured at fair value instead;
- b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments;
- c) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers" and certain written loan commitments. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment that the Group will apply the simplified approach to recognize lifetime expected credit losses for trade receivables. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

The Group elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9. Furthermore, the Group will provide disclosure of the differences in amounts if the Group continued to apply the existing accounting treatments in 2018.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined output).

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

For all contract modifications that occurred on or before December 31, 2016, the Group will not apply the requirements in IFRS 15 individually to each of the modifications, and will identify the performance obligations, determine and allocate transaction price in the manner that reflects the aggregate effect of all modifications that occurred before December 31, 2017.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

In determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

4) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The amendment to IAS 28 clarified that when the Group (non-investment entity) applies the equity method to account for investment in an associate that is an investment entity, the Group may elect to retain the fair value of the investment in subsidiaries of the investment entity associate. The election should be made separately for each investment entity associate, at the later of the date (a) the investment entity associate is initially recognized, (b) the associate becomes an investment entity, or (c) the investment entity associate first becomes a parent.

5) IFRIC 22“Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

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 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note: Unless stated otherwise, the above New IFRSs are effective for annual 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 stipulated that, when an entity 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 an entity loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity 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 unrelated investors’ interest in the associate, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate, i.e. the entity’s share of the gain or loss is eliminated.

2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

3) 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 entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

The Group may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the 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 the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

See Note 13, Table 7 and Table 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2016.

1) Retirement benefits

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

2) Taxation

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

3) Business combinations

The acquisition of businesses is 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 at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Other contingent consideration is remeasured at fair value at the end of subsequent reporting period with any gain or loss recognized in profit or loss.

During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the Group's consolidated financial statements for the year ended December 31, 2016 for significant accounting judgments and estimates and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	\$ 69,023	\$ 61,640	\$ 65,489
Checking accounts and demand deposits	2,958,925	4,350,538	3,302,850
Cash equivalents (time deposits with original maturities less than 3 months)	<u>341,020</u>	<u>225,399</u>	<u>212,256</u>
	<u>\$ 3,368,968</u>	<u>\$ 4,637,577</u>	<u>\$ 3,580,595</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets held for trading - current</u>			
Derivative financial assets			
Forward exchange forward contracts	\$ 1,109	\$ 34,348	\$ 20,170
Non-derivative financial assets			
Domestic quoted shares	115,296	78,680	142,166
Foreign quoted shares	<u>-</u>	<u>-</u>	<u>57,086</u>
	<u>\$ 116,405</u>	<u>\$ 113,028</u>	<u>\$ 219,422</u>
<u>Financial liabilities held for trading - current</u>			
Derivative financial liabilities			
Forward exchange forward contracts	<u>\$ 37,246</u>	<u>\$ 10,231</u>	<u>\$ 8,179</u>

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)
<u>June 30, 2017</u>			
Sell	EUR/NTD	2017.07-2017.12	EUR7,500/NTD250,197
	EUR/USD	2017.07-2017.11	EUR8,500/USD9,299
	USD/NTD	2017.07-2017.10	USD7,434/NTD224,564
	JPY/NTD	2017.07-2017.11	JPY470,000/NTD128,403
	RMB/NTD	2017.07-2017.09	RMB82,000/NTD357,157
	EUR/CZK	2017.07-2017.10	EUR330/CZK8,750
<u>December 31, 2016</u>			
Sell	EUR/NTD	2017.01-2017.05	EUR5,500/NTD192,863
	EUR/USD	2017.01-2017.05	EUR8,500/USD9,451
	USD/NTD	2017.01-2017.04	USD11,414/NTD362,143
	JPY/NTD	2017.01-2017.06	JPY430,000/NTD128,601
	RMB/NTD	2017.01-2017.03	RMB83,000/NTD380,318
<u>June 30, 2016</u>			
Sell	EUR/NTD	2016.07-2016.11	EUR7,500/NTD275,464
	EUR/USD	2016.07-2016.11	EUR9,000/USD10,214
	USD/NTD	2016.07-2016.11	USD11,372/NTD367,787
	JPY/NTD	2016.07-2016.12	JPY280,000/NTD83,646
	JPY/USD	2016.07-2016.09	JPY130,000/USD1,154
	RMB/NTD	2016.07-2016.09	RMB80,000/NTD393,709

The Company entered into foreign exchange forward contracts during the six months ended June 30, 2017 and 2016 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities. The Group's financial hedging strategy is to minimize risks due to market price fluctuations and cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Current</u>			
Domestic investments			
Mutual funds	\$ 4,832,726	\$ 2,450,232	\$ 3,044,922
Quoted shares	605,247	506,354	538,010
Foreign investments			
Quoted shares	<u>7,899</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,445,872</u>	<u>\$ 2,956,586</u>	<u>\$ 3,582,932</u>
<u>Non-current</u>			
Domestic investments			
Quoted shares	\$ 1,530,865	\$ 1,703,203	\$ 1,672,650
Unlisted shares	9,375	9,375	9,375
Foreign investments			
Unlisted foreign shares	<u>-</u>	<u>-</u>	<u>33,257</u>
	<u>\$ 1,540,240</u>	<u>\$ 1,712,578</u>	<u>\$ 1,715,282</u>

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank during two months ended February 28, 2017 and six months ended June 30, 2016. The Group ended the trust of quoted domestic stock in March 31, 2017. As of December 31, 2016 and June 30, 2016, the stocks held in trust amounted to \$1,257,600 thousand and \$1,240,815 thousand, respectively. On the transactions, the Group recognized gains of \$55 thousand in the six months ended June 30, 2016. These gains were recorded under other nonoperating income.

9. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Non-current</u>			
Private equity	<u>\$ 67,290</u>	<u>\$ -</u>	<u>\$ -</u>
Classification according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 67,290</u>	<u>\$ -</u>	<u>\$ -</u>

The Group measured the private equity with the costs at the end of the reporting period, because there was a significant range of reasonable estimates for fair values and the probability for each estimate was unable to be assessed reasonably. Therefore, the management of the Group determined that the fair value of the private equity was not reliably measured.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2017	December 31, 2016	June 30, 2016
Time deposits with original maturities of more than 3 months	\$ 12,163	\$ 10,007	\$ 87,942
Pledged time deposits	<u>34,290</u>	<u>-</u>	<u>-</u>
	<u>\$ 46,453</u>	<u>\$ 10,007</u>	<u>\$ 87,942</u>

For information on pledged debt investments with no active market, refer to Note 30.

11. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Notes receivable (including related parties)	<u>\$ 1,113,715</u>	<u>\$ 965,081</u>	<u>\$ 830,722</u>
Trade receivables	\$ 6,619,084	\$ 6,486,188	\$ 6,383,816
Less: Allowance for impairment loss	<u>(90,297)</u>	<u>(101,354)</u>	<u>(131,381)</u>
	<u>\$ 6,528,787</u>	<u>\$ 6,384,834</u>	<u>\$ 6,252,435</u>

Trade Receivables

The average credit period on sales of goods was from 30 to 90 days. In determining the recoverability of a trade receivables, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 1 year because historical experience was that receivables that are past due beyond 1 year are not recoverable. Allowance for impairment loss was recognized against trade receivables between 90 days and 1 year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Not overdue	\$ 5,800,725	\$ 5,524,036	\$ 5,638,990
Overdue			
1 to 90 days	763,373	839,609	636,820
91 to 360 days	16,813	63,558	92,047
Over 360 days	<u>38,173</u>	<u>58,985</u>	<u>15,959</u>
	<u>\$ 6,619,084</u>	<u>\$ 6,486,188</u>	<u>\$ 6,383,816</u>

The above aging schedule was based on the past due days from end of credit term.

The aging of receivables that were past due date but not impaired was as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
1 to 30 days	\$ 642,052	\$ 693,983	\$ 558,404
31 to 60 days	79,947	93,924	64,303
61 to 90 days	<u>41,374</u>	<u>51,702</u>	<u>14,113</u>
	<u>\$ 763,373</u>	<u>\$ 839,609</u>	<u>\$ 636,820</u>

The above aging schedule was based on the past due days from end of credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 17,569	\$ 131,590	\$ 149,159
Less: Impairment losses reversed	-	(10,841)	(10,841)
Less: Amounts written off during the period as uncollectible	(13,632)	(3,607)	(17,239)
Impairment losses recognized from business combination	-	11,918	11,918
Foreign exchange translation gains and losses	<u>-</u>	<u>(1,616)</u>	<u>(1,616)</u>
Balance at June 30, 2016	<u>\$ 3,937</u>	<u>\$ 127,444</u>	<u>\$ 131,381</u>
Balance at January 1, 2017	\$ 13,686	\$ 87,668	\$ 101,354
Plus: Impairment losses recognized on receivables	185	-	185
Less: Impairment losses reversed	-	(9,208)	(9,208)
Less: Amounts written off during the period as uncollectible	-	(1,238)	(1,238)
Impairment losses recognized from business combination	-	37	37
Foreign exchange translation gains and losses	<u>-</u>	<u>(833)</u>	<u>(833)</u>
Balance at June 30, 2017	<u>\$ 13,871</u>	<u>\$ 76,426</u>	<u>\$ 90,297</u>

12. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Raw materials	\$ 2,384,298	\$ 1,991,477	\$ 1,784,695
Work in process	1,220,343	1,033,831	976,364
Finished goods	1,737,770	1,922,816	1,693,240
Inventories in transit	<u>627,023</u>	<u>649,112</u>	<u>516,483</u>
	<u>\$ 5,969,434</u>	<u>\$ 5,597,236</u>	<u>\$ 4,970,782</u>

The costs of inventories recognized as costs of goods sold for the three months ended June 30, 2017 and 2016 were \$6,908,303 thousand and \$6,338,197 thousand, respectively, and for the six months ended June 30, 2017 and 2016 were \$12,810,758 thousand and \$12,156,221 thousand, respectively.

The costs of inventories were decreased by \$629,954 thousand, \$538,855 thousand and \$541,090 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively when stated at the lower of cost or net realizable values.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated financial statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			June 30, 2017	December 31, 2016	June 30, 2016	
The Company	AAC (BVI)	Investment and management service	100.00	100.00	100.00	
	ATC	Sale of industrial automation products	100.00	100.00	100.00	
	Advanixs Corporation	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Corporate Investment	Investment holding company	100.00	100.00	100.00	a
	AEUH	Investment and management service	100.00	100.00	100.00	
	ASG	Sale of industrial automation products	100.00	100.00	100.00	a
	AAU	Sale of industrial automation products	100.00	100.00	100.00	a
	AJP	Sale of industrial automation products	100.00	100.00	100.00	a
	AMY	Sale of industrial automation products	100.00	100.00	100.00	a
	AKR	Sale of industrial automation products	100.00	100.00	100.00	a
	ABR	Sale of industrial automation products	80.00	80.00	80.00	a
	ACA	Production and sale of portable industrial automation products	-	-	100.00	b
	AIN	Sale of industrial automation products	99.99	99.99	99.99	a
	AdvanPOS	Production and sale of POS system	100.00	100.00	100.00	a
	ALNC	Production and sale of machines with computerized numerical control	81.17	81.17	90.00	a, d
	AMX	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	Advantech iFactory Co., Ltd.	Cybernation equipment manufacturing	-	-	100.00	c
	BEMC	Sale of industrial network communications systems	60.00	60.00	60.00	e
	AKR	AiST	Design, develop and sale of intelligent service	100.00	100.00	-
AKST		Production and sale of intelligent medical display	36.00	-	-	a, g
AKR	AKST	Production and sale of intelligent medical display	24.00	-	-	a, g
Advantech Corporate Investment	AiST	Design, develop and sale of intelligent service	-	-	100.00	a, f
	Cermate	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
ATC	ATC (HK)	Investment and management service	100.00	100.00	100.00	
ATC (HK)	AKMC	Production and sale of components of industrial automation products	100.00	100.00	100.00	
	Advanixs Kun Shan Corp.	Production and sale of industrial automation products	100.00	100.00	100.00	a, h
AAC (BVI)	ANA	Sale and fabrication of industrial automation products	100.00	100.00	100.00	
ANA	AAC (HK)	Investment and management service	100.00	100.00	100.00	
	BEMC	Sale of industrial network communications	40.00	40.00	40.00	e
AAC (HK)	ACN	Sale of industrial automation products	100.00	100.00	100.00	
	AiSC	Production and sale of industrial automation products	100.00	100.00	100.00	a
ACN	AXA	Development and production of software products	100.00	100.00	100.00	
	Hangzhou Advantofine Automation Co., Ltd.	Processing and sale of industrial automation products	100.00	100.00	100.00	
AEUH	AEU	Sale of industrial automation products	100.00	100.00	100.00	
	APL	Sale of industrial automation products	100.00	100.00	100.00	a
AEU	A-DLoG	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	100.00	a

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			December 31,			
			June 30, 2017	2016	June 30, 2016	
ASG	ATH	Production of computers	51.00	51.00	51.00	a
	AID	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate	Land Mark	General investment	100.00	100.00	100.00	a
Land Mark	Cermate (Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
	Cermate (Shenzhen)	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
ALNC	Better Auto	General investment	100.00	100.00	100.00	a
Better Auto	Famous Now Limited	General investment	100.00	100.00	100.00	a
Famous Now Limited	Advantech LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a
BEMC	Avtek	General investment	100.00	100.00	100.00	e
Avtek	B+B	General investment	100.00	100.00	100.00	e
B+B	BBI	Sale of industrial network communications systems	100.00	100.00	100.00	e
	Quatech	Sale of industrial network communications systems	100.00	100.00	100.00	e
	IMC	Sale of industrial network communications systems	100.00	100.00	100.00	e
BBI	B&B Electronics	Sale of industrial network communications systems	100.00	100.00	100.00	e
	B+B (CZ)	Manufacturing of cellular and automation solution	99.99	99.99	99.99	e
	Conel Automation	Sale of industrial network communications systems	1.00	1.00	1.00	e
	B&B DMCC	Sale of industrial network communications systems	100.00	100.00	100.00	e
B&B Electronics	B+B (CZ)	Manufacturing of cellular and automation solution	0.01	0.01	0.01	e
B+B (CZ)	Conel Automation	Sale of industrial network communications systems	99.00	99.00	99.00	e

(Concluded)

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

Remark b: In the third quarter of 2016, ACA was merged by AdvanPOS and ACA ceased to exist.

Remark c: In the fourth quarter of 2016, Advantech iFactory Co., Ltd. was in the process of liquidation.

Remark d: In the first and third quarter of 2016, the Company acquired 0.07% and sold 8.83% equity in ALNC, respectively, decreasing the Company's equity interest from 89.93% to 81.17%.

Remark e: In the first quarter of 2016, the Group acquired 100% share equity of BEMC with an acquisition of 60% and 40% of B+B's share equity by the Company and ANA, respectively.

Remark f: In 2016, the Group adjusted its investment structure and the Company directly held 100% share equity of AiST.

Remark g: In the first quarter of 2017, the Group acquired 60% share equity of AKST with an acquisition of 36% and 24% of AKST's share equity by the Company and AKR, respectively.

Remark h: In the second quarter of 2016, ATC, in an issuance of ordinary shares for cash to ATC (HK), acquired 100% equity of Advanixs Kun Shan Corp.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. (Axiomtek)	\$ 590,480	\$ 464,155	\$ 409,659
Unlisted companies			
AIMobile Co., Ltd. (AIMobile)	92,935	109,241	131,313
Deneng Scientific Research Co., Ltd. (Deneng)	15,854	16,154	17,284
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	10,101	8,904	8,743
CDIB Innovation Accelerator Co., Ltd.	<u>75,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 784,370</u>	<u>\$ 598,454</u>	<u>\$ 566,999</u>

In the second quarter 2016, the Group paid cash of \$135,000 thousand for the establishment of “AIMobile Co., Ltd.” by joint investment with Inventec Corporation. The Group and Inventec Corporation held equity interests of 45% and 55%, respectively. The Group had significant influence over AIMobile.

In the second quarter 2017, the Group paid cash of \$75,000 thousand for 20% share equity of CDIB Innovation Accelerator Co., Ltd. The Group had significant influence over CDIB Innovation Accelerator Co., Ltd.

Aggregate Information of Associates That Are Not Individually Material

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	June 30		June 30	
	2017	2016	2017	2016
The Group’s share of				
Profit from continuing operations	\$ 190,922	\$ 15,585	\$ 190,313	\$ 42,420
Other comprehensive income	<u>2,401</u>	<u>(374)</u>	<u>(5,969)</u>	<u>(2,301)</u>
Total comprehensive income for the period	<u>\$ 193,323</u>	<u>\$ 15,211</u>	<u>\$ 184,344</u>	<u>\$ 40,119</u>

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

The financial statements used in the calculation of the Group’s share of the profit or loss and other comprehensive income of equity-method investees have not been reviewed by independent CPAs, except those of Axiomtek.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2016	\$ 3,068,264	\$ 5,348,990	\$ 1,533,640	\$ 770,295	\$ 1,533,038	\$ 915,128	\$ 13,169,355
Additions	-	577	20,557	24,595	45,276	564,610	655,615
Disposals	(172,299)	(94,908)	(13,292)	(15,254)	(20,619)	-	(316,372)
Acquisition through business combination	12,644	308,798	84,400	89,771	25,390	-	521,003
Reclassifications	-	2,700	1,433	(229)	8,772	(26,811)	(14,135)
Effect of exchange differences	(2,601)	(84,185)	(18,011)	(10,405)	(23,265)	(68)	(138,535)
Balance at June 30, 2016	<u>\$ 2,906,008</u>	<u>\$ 5,481,972</u>	<u>\$ 1,608,727</u>	<u>\$ 858,773</u>	<u>\$ 1,568,592</u>	<u>\$ 1,452,859</u>	<u>\$ 13,876,931</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2016	\$ -	\$ 1,046,061	\$ 1,063,028	\$ 545,767	\$ 937,620	\$ -	\$ 3,592,476
Disposals	-	(16,148)	(11,287)	(13,381)	(14,983)	-	(55,799)
Depreciation expense	-	80,548	65,262	50,932	95,075	-	291,817
Acquisition through business combination	-	88,296	61,837	82,180	4,771	-	237,084
Reclassifications	-	188	-	(1,538)	(276)	-	(1,626)
Effect of exchange differences	-	(20,887)	(11,128)	(8,115)	(13,241)	-	(53,371)
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 1,178,058</u>	<u>\$ 1,167,712</u>	<u>\$ 655,845</u>	<u>\$ 1,008,966</u>	<u>\$ -</u>	<u>\$ 4,010,581</u>
Carrying amounts at June 30, 2016	<u>\$ 2,906,008</u>	<u>\$ 4,303,914</u>	<u>\$ 441,015</u>	<u>\$ 202,928</u>	<u>\$ 559,626</u>	<u>\$ 1,452,859</u>	<u>\$ 9,866,350</u>
<u>Cost</u>							
Balance at January 1, 2017	\$ 2,948,580	\$ 7,080,989	\$ 1,631,738	\$ 862,409	\$ 1,605,230	\$ 43,289	\$ 14,172,235
Additions	-	90,798	25,323	24,464	59,258	40,054	239,897
Disposals	(5,702)	(5,649)	(14,073)	(46,895)	(20,551)	-	(92,870)
Acquisition through business combination	29,007	44,460	24,903	6,163	4,952	-	109,485
Reclassifications	-	(2,064)	17,144	(9,801)	41,196	(67,769)	(21,294)
Effect of exchange differences	(8,626)	(84,072)	(16,471)	(14,442)	(27,234)	108	(150,737)
Balance at June 30, 2017	<u>\$ 2,963,259</u>	<u>\$ 7,124,462</u>	<u>\$ 1,668,564</u>	<u>\$ 821,898</u>	<u>\$ 1,662,851</u>	<u>\$ 15,682</u>	<u>\$ 14,256,716</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2017	\$ -	\$ 1,228,673	\$ 1,155,669	\$ 644,435	\$ 1,053,622	\$ -	\$ 4,082,399
Disposals	-	(3,653)	(13,616)	(46,105)	(16,499)	-	(79,873)
Depreciation expense	-	95,435	59,330	45,750	94,927	-	295,442
Acquisition through business combination	-	741	15,453	4,671	3,948	-	24,813
Reclassifications	-	3	(2)	(6,747)	(98)	-	(6,844)
Effect of exchange differences	-	(20,809)	(9,871)	(10,929)	(15,522)	-	(57,131)
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 1,300,390</u>	<u>\$ 1,206,963</u>	<u>\$ 631,075</u>	<u>\$ 1,120,378</u>	<u>\$ -</u>	<u>\$ 4,258,806</u>
Carrying amounts at June 30, 2017	<u>\$ 2,963,259</u>	<u>\$ 5,824,072</u>	<u>\$ 461,601</u>	<u>\$ 190,823</u>	<u>\$ 542,473</u>	<u>\$ 15,682</u>	<u>\$ 9,997,910</u>

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

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

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

16. GOODWILL

	For the Six Months Ended June 30	
	2017	2016
<u>Cost</u>		
Balance at January 1	\$ 2,845,831	\$ 1,139,559
Additional amounts recognized from business combinations occurring during the period (Note 26)	79,713	2,311,181
Adjustments for goodwill after acquisition	18,075	(543,042)
Effect of foreign currency exchange differences	<u>(91,531)</u>	<u>(50,956)</u>
Balance at June 30	<u>\$ 2,852,088</u>	<u>\$ 2,856,742</u>

In the second quarter of 2017, after obtaining the audited financial statements of AKST for 2016, the Group paid the remaining installment of US\$600 thousand and adjusted the goodwill on the acquisition based on the audited financial statements.

In the fourth quarter of 2016, the Group obtained an evaluation report which stated that the total fair value of the cash and cash equivalents, trade receivables, inventories, other current financial assets, other current assets, intangible assets, deferred tax assets, trade payables, other payables, other liabilities, and deferred tax liabilities was \$1,394,876 thousand as of the date of acquisition. Thus, the Group made adjustments on the accounting treatment and the fair value of assets as of the date of acquisition and re-presented the comparative information.

Adjusted items on the balance sheet of B+B were as follows:

	Acquisition Date (Provisional Amount)	Acquisition Date (Fair Value)
Goodwill	\$ 2,311,181	\$ 1,768,139
Cash and cash equivalents	-	71,336
Trade receivables	211,332	188,827
Inventories	301,938	281,758
Other current financial assets	33,010	-
Other current assets	30,446	17,935
Intangible assets	416,365	1,294,933
Deferred tax assets	35,125	153,651
Trade payables and other payables	(135,526)	(188,215)
Other liabilities	(10,730)	-
Deferred tax liabilities	(30,126)	(425,349)

17. PREPAYMENTS FOR LEASE OBLIGATION

	June 30, 2017	December 31, 2016	June 30, 2016
Current assets (included in other current assets)	\$ 8,701	\$ 8,955	\$ 9,397
Non-current assets	<u>311,648</u>	<u>325,224</u>	<u>345,986</u>
	<u>\$ 320,349</u>	<u>\$ 334,179</u>	<u>\$ 355,383</u>

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

18. BORROWINGS

a. Short-term borrowings

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured borrowings			
Line of credit borrowings	<u>\$ 373,140</u>	<u>\$ 483,750</u>	<u>\$ 484,125</u>

The range of weighted average effective interest rates on bank loans was 1.74%-2.87%, 1.324% and 1.15% per annum as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

b. Long-term borrowings

	June 30, 2017
<u>Secured borrowings</u>	
Bank loans	\$ 34,200
Other borrowings	63,450
<u>Unsecured borrowings</u>	
Line of credit borrowings	<u>25,063</u>
	122,713
Less: Current portions	<u>(13,057)</u>
Long-term borrowings	<u>\$ 109,656</u>

The long-term borrowings are borrowings of the subsidiary AKST. The effective interest rate of line of credit and secured borrowings was 1.60%-2.75% per annum as of June 30, 2017.

Other borrowings are loans from the government. As of June 30, 2017, the effective interest rate was 2.91%-3.16% per annum.

With demand of borrowings, the Group pledged time deposits and freehold land and building (refer to Note 30).

19. OTHER LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
Other payables			
Payables for salaries and bonuses	\$ 2,095,393	\$ 2,248,870	\$ 2,143,352
Payables for employee benefits	171,641	151,115	145,015
Payables for royalties	177,732	179,207	120,379
Others (Note)	<u>919,020</u>	<u>1,323,307</u>	<u>946,929</u>
	<u>\$ 3,363,786</u>	<u>\$ 3,902,499</u>	<u>\$ 3,355,675</u>

Note: Including construction payables, accruals of litigation, marketing expenses, and freight expenses.

20. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,252 thousand, \$1,391 thousand, \$2,502 thousand and \$2,782 thousand for the three months and six months ended June 30, 2017 and 2016, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

21. EQUITY

a. Share capital

Ordinary shares

	June 30, 2017	December 31, 2016	June 30, 2016
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>696,612</u>	<u>633,084</u>	<u>631,853</u>
Shares issued and fully paid	<u>\$ 6,966,115</u>	<u>\$ 6,330,841</u>	<u>\$ 6,318,531</u>

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

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

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 3,396,888	\$ 3,396,888	\$ 3,396,888
Conversion of bonds	931,849	931,849	931,849
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	17,844	17,844	-
<u>Used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	4,246	4,246	4,246
Employee share options	1,129,710	1,077,084	792,341
Employees' share compensation	78,614	78,614	78,614

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Not be used for any purpose</u>			
Share of changes in capital surplus of associates	\$ 24,989	\$ 23,231	\$ 14,879
Employee share options	<u>717,742</u>	<u>529,128</u>	<u>501,858</u>
	<u>\$ 6,301,882</u>	<u>\$ 6,058,884</u>	<u>\$ 5,720,675</u> (Concluded)

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

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 25, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation and remuneration of directors and supervisors.

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to d employees' compensation and remuneration of directors and supervisors in Note 22.

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

Appropriation of earnings to legal reserve shall 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 deficits 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.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings, for 2016 and 2015 which have approved in the shareholders' meetings on May 26, 2017 and May 25, 2016, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u>	
	<u>For the Year Ended</u>		<u>(NT\$)</u>	
	<u>December 31</u>		<u>For the Year Ended</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Legal reserve	\$ 566,686	\$ 510,434	\$ -	\$ -
Special reserve	85,204	-	-	-
Cash dividends	3,988,367	3,791,118	6.3	6.0
Share dividends	633,074	-	1.0	-

d. Special reserves

	<u>For the Six</u>
	<u>Months Ended</u>
	<u>June 30</u>
Beginning at January 1	\$ -
Appropriations in respect of	
Debits to other equity items	<u>85,204</u>
Balance at June 30	<u>\$ 85,204</u>

e. Other equity items

1) Exchange differences on translation of foreign financial statements

	<u>For the Six Months Ended</u>	
	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ (197,633)	\$ 271,859
Exchange differences arising on translation of foreign		
financial statements	(360,288)	(194,451)
Related income tax	62,264	33,448
Share of exchange difference of associates accounted for		
using the equity method	<u>(5,969)</u>	<u>(2,301)</u>
Balance at June 30	<u>\$ (501,626)</u>	<u>\$ 108,555</u>

2) Unrealized gain or loss from available-for-sale financial assets

	For the Six Months Ended June 30	
	2017	2016
Balance at January 1	\$ 112,429	\$ 68,265
Unrealized gain arising on revaluation of available-for-sale financial assets	384,326	46,253
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	<u>(123,479)</u>	<u>(5,210)</u>
Balance at June 30	<u>\$ 373,276</u>	<u>\$ 109,308</u>

f. Non-controlling interests

	For the Six Months Ended June 30	
	2017	2016
Balance at January 1	\$ 173,315	\$ 146,276
Attributable to non-controlling interests:		
Share of profit (loss) for the period	(590)	9,479
Exchange difference arising on translation of foreign financial statements	(5,917)	(11,011)
Non-controlling interests arising from acquisition of subsidiaries (Note 26 and 27)	<u>15,203</u>	<u>(9,422)</u>
Balance at June 30	<u>\$ 182,011</u>	<u>\$ 135,322</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest on bank loans	\$ 1,628	\$ 1,315	\$ 4,189	\$ 3,397
Other finance costs	<u>2,526</u>	<u>-</u>	<u>2,682</u>	<u>-</u>
	<u>\$ 4,154</u>	<u>\$ 1,315</u>	<u>\$ 6,871</u>	<u>\$ 3,397</u>

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Property, plant and equipment	\$ 145,800	\$ 143,090	\$ 295,442	\$ 291,817
Intangible assets	<u>51,629</u>	<u>71,449</u>	<u>102,892</u>	<u>133,449</u>
	<u>\$ 197,429</u>	<u>\$ 214,539</u>	<u>\$ 398,334</u>	<u>\$ 425,266</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
An analysis of depreciation by function				
Operating costs	\$ 36,780	\$ 34,362	\$ 73,751	\$ 69,624
Operating expenses	<u>109,020</u>	<u>108,728</u>	<u>221,691</u>	<u>222,193</u>
	<u>\$ 145,800</u>	<u>\$ 143,090</u>	<u>\$ 295,442</u>	<u>\$ 291,817</u>
An analysis of amortization by function				
Operating costs	\$ 1,254	\$ 37	\$ 2,498	\$ 74
Selling and market expenses	37	24	67	48
General and administrative expenses	42,136	63,807	84,498	118,686
Research and development expenses	<u>8,202</u>	<u>7,581</u>	<u>15,829</u>	<u>14,641</u>
	<u>\$ 51,629</u>	<u>\$ 71,449</u>	<u>\$ 102,892</u>	<u>\$ 133,449</u> (Concluded)

c. Employee benefit expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term benefits	\$ 1,934,464	\$ 1,956,397	\$ 3,800,850	\$ 3,902,861
Post-employment benefits				
Defined contribution plans	67,496	71,915	139,440	149,884
Defined benefit plans (Note 20)	<u>1,252</u>	<u>1,391</u>	<u>2,502</u>	<u>2,782</u>
	68,748	73,306	141,942	152,666
Share-based payments				
Equity-settled	111,259	65,470	222,518	130,939
Other employee benefits	<u>122,130</u>	<u>120,277</u>	<u>277,573</u>	<u>280,266</u>
Total employee benefits expense	<u>\$ 2,236,601</u>	<u>\$ 2,215,450</u>	<u>\$ 4,442,883</u>	<u>\$ 4,466,732</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 444,614	\$ 446,218	\$ 921,951	\$ 911,103
Operating expenses	<u>1,791,987</u>	<u>1,769,232</u>	<u>3,520,932</u>	<u>3,555,629</u>
	<u>\$ 2,236,601</u>	<u>\$ 2,215,450</u>	<u>\$ 4,442,883</u>	<u>\$ 4,466,732</u>

d. Employees' compensation and remuneration of directors and supervisors

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in May 2016, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 20% and remuneration of directors and supervisors at the rates of no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

For the three months and six months ended June 30, 2016 and 2017, the bonus to employees and the remuneration to directors and supervisors were accrued of net profit after income tax.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees' compensation	<u>\$ 60,750</u>	<u>\$ 50,000</u>	<u>\$ 121,500</u>	<u>\$ 100,000</u>
Remuneration of directors and supervisors	<u>\$ 3,075</u>	<u>\$ 3,000</u>	<u>\$ 6,150</u>	<u>\$ 6,000</u>

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

The appropriations of employees' compensation and remuneration to directors and supervisors for 2016 and 2015 having been resolved by the board of directors on March 6, 2017 and March 4, 2016, respectively, were as below:

	For the Year Ended December 31	
	2016	2015
	Cash	Cash
Employees' compensation	\$ 243,000	\$ 200,000
Remuneration of directors and supervisors	12,300	12,000

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Foreign exchange gains	\$ 259,268	\$ 110,511	\$ 513,255	\$ 452,985
Foreign exchange losses	<u>(151,716)</u>	<u>(144,515)</u>	<u>(608,147)</u>	<u>(535,480)</u>
	<u>\$ 107,552</u>	<u>\$ (34,004)</u>	<u>\$ (94,892)</u>	<u>\$ (82,495)</u>

23. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of current period	\$ 371,824	\$ 226,912	\$ 665,133	\$ 530,592
Income tax on				
unappropriated earnings	36,556	71,661	36,556	71,661
Adjustments for prior periods	329	-	329	-
Deferred tax				
In respect of current period	<u>8,296</u>	<u>60,071</u>	<u>8,393</u>	<u>85,287</u>
Income tax expense recognized in loss	<u>\$ 417,005</u>	<u>\$ 358,644</u>	<u>\$ 710,411</u>	<u>\$ 687,540</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
<u>Deferred tax</u>				
In respect of current period				
Translation of foreign operations	<u>\$ 32,264</u>	<u>\$ (20,492)</u>	<u>\$ (62,264)</u>	<u>\$ (33,448)</u>

c. Integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Unappropriated earnings			
Generated on and after January 1, 1998	<u>\$ 6,091,129</u>	<u>\$ 8,435,785</u>	<u>\$ 5,605,807</u>
Shareholder - imputed credits accounts	<u>\$ 1,194,439</u>	<u>\$ 777,620</u>	<u>\$ 983,984</u>
		For the Year Ended December 31	For the Year Ended December 31
		2016 (Expected)	2015
Creditable ratio for distribution of earnings		14.16%	13.86%

d. Income tax assessments

The Company's tax returns through 2013 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Basic earnings per share	<u>\$ 2.47</u>	<u>\$ 2.09</u>	<u>\$ 4.20</u>	<u>\$ 4.05</u>
Diluted earnings per share	<u>\$ 2.46</u>	<u>\$ 2.09</u>	<u>\$ 4.18</u>	<u>\$ 4.03</u>

The earnings per share computation was adjusted retrospectively for the effects of adjustments resulting from bonus shares issued on July 8, 2017. The basic and diluted earnings per share adjusted retrospectively for the three months ended and six months ended June 30, 2017 were as follows:

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
Basic earnings per share	<u>\$ 2.30</u>	<u>\$ 4.45</u>	<u>\$ 2.09</u>	<u>\$ 4.05</u>
Diluted earnings per share	<u>\$ 2.29</u>	<u>\$ 4.43</u>	<u>\$ 2.09</u>	<u>\$ 4.03</u>

In the fourth quarter of 2016, the Group obtained an evaluation report for the subsidiary B+B. Based on the fair value of acquisition and the estimated useful lives from the report, the earnings per share before adjusted retroactively have been adjusted.

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Earnings used in the computation of basic earnings per share	<u>\$ 1,723,635</u>	<u>\$ 1,455,197</u>	<u>\$ 2,928,675</u>	<u>\$ 2,812,601</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,723,635</u>	<u>\$ 1,455,197</u>	<u>\$ 2,928,675</u>	<u>\$ 2,812,601</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	696,519	695,038	696,519	695,038
Effect of potentially dilutive ordinary shares:				
Employee share options	3,281	1,810	3,315	1,810
Employees' compensation	<u>478</u>	<u>446</u>	<u>828</u>	<u>672</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>700,278</u>	<u>697,294</u>	<u>700,662</u>	<u>697,520</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 6,500 options in 2016 and 5,000 options in July 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 2016 and 2014 are both valid for six years. All are exercisable at certain percentages after the second anniversary year from 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.

No share options were issued granted during the six months ended June 30, 2017 and 2016. Information on employee share options was as follows:

	For the Six Months Ended June 30			
	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Employee Share Options				
Balance at January 1	10,269	\$100.00	5,000	\$100.00
Options exercised	<u>(220)</u>	95.10	<u>-</u>	-
Balance at June 30	<u>10,049</u>	95.10	<u>5,000</u>	100.00
Options exercisable, end of period	<u>10,049</u>	95.10	<u>-</u>	-
Weighted-average fair value of options granted (\$)	<u>-</u>		<u>-</u>	

The weighted-average share price at the date of exercise of share options exercised for the six months ended June 30, 2016 was from \$240 to \$266.

Information about outstanding options for the six months ended June 30, 2017 and 2016 was as follows:

	For the Six Months Ended June 30			
	2017		2016	
Employee Share Options	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2016	\$100.00	4.95	\$ -	-
Issuance in 2014	95.10	3.13	100.00	4.13

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

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

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

Compensation costs recognized were \$222,518 thousand and \$130,939 thousand for the six months ended June 30, 2017 and 2016, respectively.

26. BUSINESS COMBINATION

a. Subsidiary acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Kostec Co., Ltd.	Production and sale of intelligent medical display	January 20, 2017	60	<u>\$ 120,592</u>
B+B (Note)	Sale of industrial network communications	January 4, 2016	100	<u>\$ 3,296,048</u>
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	May 27, 2016	100	<u>\$ 459,648</u>

Note: For more information of BEMC, Avtek and B+B and its subsidiaries IMC, Quatech, BBI, B&B Electronics, B&B DMCC, B+B (CZ) and Conel Automation, refer to Note 13, Table 7 and Table 9.

The Group's market strategy is to develop R&D technology of global medical display. The Group acquired 60% share equity of Kostec Co., Ltd. (AKST) to expand global intelligent medical market.

To expand the Group's global brand market in industrial network communications, the Company made arrangements to acquire 100% equity in B+B SmartWorx Inc. (B+B) from Graham Partners. The Group will expand its Industrial Connectivity product portfolio and increase its global market share by leveraging B+B SmartWorx' branding and sales channels in the U.S., Europe, and the Middle East.

The Group acquired 100% share equity of Advanix Kun Shan Corp. (Advanix Kun Shan, formerly Yeh-Chiang Technology Kun Shan Co., Ltd.) from Yeh-Chiang Technology (Cayman), the purpose of this acquisition was to arrange future product line, establish a machinery plant, and expand operations in China.

b. Considerations transferred

	AKST	B+B	Advanix Kun Shan
Cash	\$ 120,592	\$ 3,296,048	\$ 459,648
Contingent consideration arrangements	<u>30,420</u>	<u>-</u>	<u>-</u>
	<u>\$ 151,012</u>	<u>\$ 3,296,048</u>	<u>\$ 459,648</u>
	(US\$ 4,800 thousand)	(US\$ 99,850 thousand)	(RMB 92,758 thousand)

- 1) The Group acquired 60% equity in AKST with partial payment of \$102,517 thousand in the first quarter of 2017. Subsequently, after obtaining the audited financial statements of AKST for the year 2016, the Group made additional payment of \$18,075 thousand (US\$600 thousand) for the full amount of investment. In addition, the Group adjusted the goodwill based on the identifiable net assets and liabilities on the audited financial statements.
- 2) Under the contingent consideration arrangements, the Group is required to pay the seller an additional US\$500 thousand in 2017 and 2018, respectively, if AKST's revenue exceeds the agreed amount.
- 3) On January 4, 2016, the Group acquired 100% share equity of B+B and its subsidiaries from Graham Partners. The Company and ANA obtained share equity of B+B mutually.
- 4) On May 27, 2016, ATC acquired 100% share equity of Advanix Kun Shan from Yeh-Chiang Technology (Cayman) Corp. The cash of acquisition was provided by capital increase from ATC.
- 5) Acquisition-related costs amounting to \$33,476 thousand were excluded from the consideration transferred and were recognized as current expenses under administrative expenses in the consolidated statement of comprehensive income.

c. Assets acquired and liabilities assumed at the date of acquisition

	AKST	B+B	Advanix Kun Shan
Current assets			
Cash and cash equivalents	\$ 1,745	\$ 71,336	\$ 35,047
Trade receivables	20,426	188,827	-
Inventories	30,457	281,758	-

(Continued)

	AKST	B+B	Advanix Kun Shan
Debt investments with no active market - current	\$ 54,324	\$ -	\$ -
Other receivables	-	-	4,366
Other current assets	2,877	17,935	19
Non-current assets			
Plant and equipment	84,672	133,033	150,886
Intangible assets	9,921	1,294,933	-
Deferred tax assets	4,207	153,651	7,648
Long-term prepayments for leases	-	-	262,212
Other non-current assets	926	-	-
Current liabilities			
Short-term borrowings	(8,100)	-	-
Trade and other payables	(26,748)	(188,215)	(530)
Current portion of long-term borrowings	(22,733)	-	-
Other current liabilities	(1,646)	-	-
Non-current liabilities			
Long-term borrowings	(109,656)	-	-
Deferred tax liabilities	<u>(2,665)</u>	<u>(425,349)</u>	<u>-</u>
	<u>\$ 38,007</u>	<u>\$ 1,527,909</u>	<u>\$ 459,648</u> (Concluded)

d. Non-controlling interests

The non-controlling interest (40% ownership interest in AKST) recognized at the acquisition date was measured by reference to the identifiable net assets of the non-controlling interest and amounted to \$15,203 thousand.

e. Goodwill recognized on acquisitions

	AKST	B+B
Consideration transferred	\$ 120,592	\$ 3,296,048
Less: Fair value of identifiable net assets acquired	<u>(22,804)</u>	<u>(1,527,909)</u>
Goodwill recognized on acquisitions	<u>\$ 97,788</u>	<u>\$ 1,768,139</u>

The goodwill recognized in the acquisitions of AKST and B+B mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of AKST and B+B. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow on acquisition of subsidiaries

	AKST	B+B	Advanixs Kun Shan
Consideration paid in cash	\$ 120,592	\$ 3,296,048	\$ 459,648
Less: Prepayments for investments	-	(2,279,881)	-
Less: Cash and cash equivalent balance acquired	(1,745)	(71,336)	(35,047)
Less: Investment payable (recorded under other payables)	<u>-</u>	<u>-</u>	<u>(21,260)</u>
	<u>\$ 118,847</u>	<u>\$ 944,831</u>	<u>\$ 403,341</u>

g. Impact of acquisitions on the results of the Group

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

	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016	
	AKST	B+B	Advanixs Kun Shan
Revenue	\$ 64,997	\$ 883,080	\$ -
Gain (Loss)	<u>\$ (31,391)</u>	<u>\$ 8,166</u>	<u>\$ (847)</u>

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- In the first of 2016, the Group acquired 0.07% equity in ALNC, increasing the Group's equity interest from 89.93% to 90%.
- In the first quarter of 2016, the Group acquired 40% equity in Hangzhou Advantofine Automation Tech. Co., Ltd., increasing the Group's equity interest from 60% to 100%.

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

	<u>For the Six Months Ended June 30, 2016</u>		
	Hangzhou Advantofine Automation Co., Ltd.	ALNC	Total
Cash consideration paid	\$ (12,749)	\$ (364)	\$ (13,113)
The proportionate share of the carrying amount of the net assets of the subsidiaries transferred to non-controlling interests	<u>9,195</u>	<u>277</u>	<u>9,422</u>
Differences recognized from equity transactions	<u>\$ (3,554)</u>	<u>\$ (137)</u>	<u>\$ (3,691)</u>
<u>Line items adjusted for equity transactions</u>			
Retained earnings	<u>\$ (3,554)</u>	<u>\$ (137)</u>	<u>\$ (3,691)</u>

28. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

June 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 1,109	\$ -	\$ 1,109
Non-derivative financial assets held for trading	<u>115,296</u>	<u>-</u>	<u>-</u>	<u>115,296</u>
	<u>\$ 115,296</u>	<u>\$ 1,109</u>	<u>\$ -</u>	<u>\$ 116,405</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,136,112	\$ -	\$ -	\$ 2,136,112
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Unlisted securities - other countries				
Equity securities	7,899	-	-	7,899
Mutual funds	<u>4,832,726</u>	<u>-</u>	<u>-</u>	<u>4,832,726</u>
	<u>\$ 6,976,737</u>	<u>\$ -</u>	<u>\$ 9,375</u>	<u>\$ 6,986,112</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 37,246</u>	<u>\$ -</u>	<u>\$ 37,246</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 34,348	\$ -	\$ 34,348
Non-derivative financial assets held for trading	<u>78,680</u>	<u>-</u>	<u>-</u>	<u>78,680</u>
	<u>\$ 78,680</u>	<u>\$ 34,348</u>	<u>\$ -</u>	<u>\$ 113,028</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,209,557	\$ -	\$ -	\$ 2,209,557
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Mutual funds	<u>2,450,232</u>	<u>-</u>	<u>-</u>	<u>2,450,232</u>
	<u>\$ 4,659,789</u>	<u>\$ -</u>	<u>\$ 9,375</u>	<u>\$ 4,669,164</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 10,231</u>	<u>\$ -</u>	<u>\$ 10,231</u>

June 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 20,170	\$ -	\$ 20,170
Non-derivative financial assets held for trading	<u>199,252</u>	<u>-</u>	<u>-</u>	<u>199,252</u>
	<u>\$ 199,252</u>	<u>\$ 20,170</u>	<u>\$ -</u>	<u>\$ 219,422</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,210,660	\$ -	\$ -	\$ 2,210,660
Unlisted securities - ROC Equity securities	-	-	9,375	9,375
Unlisted securities - other countries Equity securities	-	-	33,257	33,257
Mutual funds	<u>3,044,922</u>	<u>-</u>	<u>-</u>	<u>3,044,922</u>
	<u>\$ 5,255,582</u>	<u>\$ -</u>	<u>\$ 42,632</u>	<u>\$ 5,298,214</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>-</u>	<u>\$ 8,179</u>	<u>-</u>	<u>\$ 8,179</u>

There were no transfers between Levels 1 and 2 into current and prior principal.

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

For the six months ended June 30, 2017

	Available-for-sale Financial Assets	
	Equity Instruments	Total
<u>Financial assets</u>		
Balance at January 1, 2017	<u>\$ 9,375</u>	<u>\$ 9,375</u>
Balance at June 30, 2017	<u>\$ 9,375</u>	<u>\$ 9,375</u>

For the six months ended June 30, 2016

	Available-for- sale Financial Assets	
	Equity Instruments	Total
<u>Financial assets</u>		
Balance at January 1, 2016	\$ <u>42,632</u>	\$ <u>42,632</u>
Balance at June 30, 2016	\$ <u>42,632</u>	\$ <u>42,632</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring 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 the purpose of measuring Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were using 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

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading (Note 1)	\$ 116,405	\$ 113,028	\$ 219,422
Loans and receivables (Note 2)	11,157,578	12,025,231	10,875,911
Available-for-sale financial assets	6,986,112	4,669,164	5,298,214
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	37,246	10,231	8,179
Measured at amortized cost (Note 3)	12,042,420	9,369,630	11,223,722

Note 1: The balance included the carrying amount of held-for-trading financial assets measured at cost.

Note 2: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market - current, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, dividends payable, 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 and borrowings. 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 currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

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

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

1) Market risk

The Group's activities expose 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 and interest rate risk.

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 32. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase in New Taiwan dollars (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 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. A positive number below indicates an increase in pre-tax profit and associated with New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Six Months Ended		For the Six Months Ended		For the Six Months Ended	
	June 30		June 30		June 30	
	2017	2016	2017	2016	2017	2016
Profit or loss	\$ 44,648 (Note 1)	\$ 127,299 (Note 1)	\$ 20,519 (Note 2)	\$ 71,693 (Note 2)	\$ 49,864 (Note 3)	\$ 83,733 (Note 3)

Note 1: This was mainly attributable to the exposure outstanding on U.S. dollars 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, the management might perform necessary procedures for significant interest rate risks to control the risks from fluctuations in market interest rates.

The Group's fixed-term bank deposits and borrowings are exposed to fair value interest rate risk; however, this expected risk is insignificant.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Fair value interest rate risk			
Financial assets	\$ 387,473	\$ 235,406	\$ 300,198
Financial liabilities	12,373	-	-
Cash flow interest rate risk			
Financial assets	2,418,571	3,923,166	2,850,458
Financial liabilities	483,480	483,750	484,125

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2017 and 2016 would have increased by \$4,838 thousand and \$5,916 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profits for the six months ended June 30, 2017 and 2016 would have increased by \$1,153 thousand and \$1,993 thousand, respectively, as a result of the changes in fair value of held-for-trading investments and the pre-tax other comprehensive income for the six months ended June 30, 2017 and 2016 would have increased by \$69,861 thousand and \$52,982 thousand, respectively, as a result of changes in fair value of available-for-sale investments. 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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation provided by the Group could arise from the carrying amount of the respective recognized financial assets, as stated in the balance sheets.

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 irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

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

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

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

June 30, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 5,514,253	\$ 4,928,323	\$ 1,103,991	\$ -
Variable interest rate liabilities	778	1,555	376,905	126,632
Fixed interest rate liabilities	<u>21</u>	<u>41</u>	<u>186</u>	<u>12,807</u>
	<u>\$ 5,515,052</u>	<u>\$ 4,929,919</u>	<u>\$ 1,481,082</u>	<u>\$ 139,439</u>

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,013,061	\$ 855,392	\$ 1,017,427	\$ -
Variable interest rate liabilities	<u>534</u>	<u>1,067</u>	<u>488,554</u>	<u>-</u>
	<u>\$ 7,013,595</u>	<u>\$ 856,459</u>	<u>\$ 1,505,981</u>	<u>\$ -</u>

June 30, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 5,133,164	\$ 4,580,244	\$ 1,026,189	\$ -
Variable interest rate liabilities	<u>466</u>	<u>931</u>	<u>485,387</u>	<u>-</u>
	<u>\$ 5,133,630</u>	<u>\$ 4,581,175</u>	<u>\$ 1,511,576</u>	<u>\$ -</u>

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

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

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

June 30, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 471,229	\$ 495,844	\$ 274,440	\$ 1,241,513
Outflows	<u>482,328</u>	<u>514,471</u>	<u>280,851</u>	<u>1,277,650</u>
	<u>\$ (11,099)</u>	<u>\$ (18,627)</u>	<u>\$ (6,411)</u>	<u>\$ (36,137)</u>

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 325,858	\$ 753,831	\$ 289,030	\$ 1,368,719
Outflows	<u>316,886</u>	<u>743,308</u>	<u>284,408</u>	<u>1,344,602</u>
	<u>\$ 8,972</u>	<u>\$ 10,523</u>	<u>\$ 4,622</u>	<u>\$ 24,117</u>

June 30, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 374,266	\$ 711,527	\$ 401,740	\$ 1,487,533
Outflows	<u>372,684</u>	<u>705,208</u>	<u>397,650</u>	<u>1,475,542</u>
	<u>\$ 1,582</u>	<u>\$ 6,319</u>	<u>\$ 4,090</u>	<u>\$ 11,991</u>

c) Financing facilities

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured bank over draft facilities, reviewed annually and payable at call:			
Amount used	\$ 373,140	\$ 483,750	\$ 484,125
Amount unused	<u>3,746,150</u>	<u>3,757,750</u>	<u>4,860,738</u>
	<u>\$ 4,119,290</u>	<u>\$ 4,241,500</u>	<u>\$ 5,344,863</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ 97,650</u>	<u>\$ -</u>	<u>\$ -</u>

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Names	Related Party Categories
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Ke Chang Liu	Other related party (chairman's second immediate family)
Li Ting Huang	Other related party (spouse of chairman's second immediate family)
Oh Sung Kwon	Other related party (key shareholder of subsidiary Kostec)

b. Sales of goods

Related Party Categories/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Associates	<u>\$ 14,939</u>	<u>\$ 10,701</u>	<u>\$ 38,019</u>	<u>\$ 31,384</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Associates	<u>\$ 15,262</u>	<u>\$ 3,782</u>	<u>\$ 37,042</u>	<u>\$ 6,788</u>

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

Line Items	Related Party Categories/Name	June 30, 2017	December 31, 2016	June 30, 2016
Trade receivables from related parties	Associates	<u>\$ 12,908</u>	<u>\$ 13,957</u>	<u>\$ 7,340</u>
Notes receivable	Associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>

The outstanding trade receivables from related parties are unsecured. For the six months ended June 30, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

e. Other receivables from related parties

Accounts	Related Party Categories/Name	June 30, 2017	December 31, 2016	June 30, 2016
Other receivables from related parties	Associates	<u>\$ 74,964</u>	<u>\$ -</u>	<u>\$ 88,313</u>

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

Line Items	Related Party Categories/Name	June 30, 2017	December 31, 2016	June 30, 2016
Trade payables	Associates	<u>\$ 6,983</u>	<u>\$ 29,453</u>	<u>\$ 1,637</u>
Other payables	Associates	<u>\$ 3,935</u>	<u>\$ -</u>	<u>\$ -</u>

The outstanding trade payables from related parties are unsecured.

g. Disposal of property, plant and equipment

Related Party Categories/Name	Proceeds		Gain (Loss) on Disposal	
	For the Three Months Ended June 30		For the Three Months Ended June 30	
	2017	2016	2017	2016
Other related party	<u>\$ 74,397</u>	<u>\$ -</u>	<u>\$ 66,531</u>	<u>\$ -</u>

Related Party Categories/Name	Proceeds		Gain (Loss) on Disposal	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Other related party	<u>\$ 74,397</u>	<u>\$ -</u>	<u>\$ 66,531</u>	<u>\$ -</u>

h. Loans from related parties

Related Party Categories/Name	June 30, 2017	December 31, 2017	June 30, 2016
Other related party (recorded under other payables)	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ -</u>

The loans from the other related party were unsecured.

i. Other transactions with related parties

	Operating Expenses			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Research and development expenses				
Associates	<u>\$ 5,200</u>	<u>\$ -</u>	<u>\$ 6,197</u>	<u>\$ -</u>

Research and development expenses 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.

j. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 11,662	\$ 9,160	\$ 23,324	\$ 18,321
Post-employment benefits	25	29	49	57
Share-based payments	<u>2,943</u>	<u>6,547</u>	<u>5,846</u>	<u>13,094</u>
	<u>\$ 14,630</u>	<u>\$ 15,736</u>	<u>\$ 29,219</u>	<u>\$ 31,472</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2017
Pledge deposits (recognized as debt investments with no active market)	\$ 34,290
Property, plant and equipment	<u>67,068</u>
	<u>\$ 101,358</u>

31. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows.

Significant Commitments

As of June 30, 2016, the Company had a construction contract amounting to \$1,627,500 thousand for a newly constructed science park located in Linkou in Taoyuan City. The remaining payables were \$159,546 thousand.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

June 30, 2017

Unit: In Thousands of New Taiwan Dollars and Foreign Currencies, Except for Exchange Rate

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 162,081	30.420 (USD:NTD)	\$ 4,930,504
RMB	399,419	4.4860 (RMB:NTD)	1,791,794
EUR	28,598	34.720 (EUR:NTD)	992,923
USD	14,228	6.7811 (USD:RMB)	<u>432,814</u>
			<u>\$ 8,148,035</u>

Financial liabilities

Monetary items			
USD	113,915	30.420 (USD:NTD)	\$ 3,465,294
RMB	188,672	4.4860 (RMB:NTD)	846,383
USD	26,806	6.7811 (USD:RMB)	<u>815,438</u>
			<u>\$ 5,127,115</u>

December 31, 2016

Unit: In Thousands of New Taiwan Dollars and Foreign Currencies, Except for Exchange Rate

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 198,736	32.250 (USD:NTD)	\$ 6,409,236
RMB	349,617	4.6170 (RMB:NTD)	1,614,182
EUR	23,502	33.900 (EUR:NTD)	796,718
USD	9,734	6.9851 (USD:RMB)	<u>313,924</u>
			<u>\$ 9,134,060</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 140,430	32.250 (USD:NTD)	\$ 4,528,868
USD	30,933	6.9851 (USD:RMB)	997,591
RMB	200,658	4.6170 (RMB:NTD)	<u>926,438</u>
			<u>\$ 6,452,897</u>
			(Concluded)

June 30, 2016

**Unit: In Thousands of New Taiwan Dollars and
Foreign Currencies, Except for Exchange Rate**

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 165,865	32.275 (USD:NTD)	\$ 5,353,293
RMB	358,405	4.8450 (RMB:NTD)	1,736,472
EUR	26,549	35.890 (EUR:NTD)	952,844
USD	10,229	6.6615 (USD:RMB)	<u>330,143</u>
			<u>\$ 8,372,752</u>

Financial liabilities

Monetary items			
USD	96,044	32.275 (USD:NTD)	\$ 3,099,820
USD	26,336	6.6615 (USD:RMB)	849,992
RMB	92,759	4.8450 (RMB:NTD)	<u>449,417</u>
			<u>\$ 4,399,229</u>

For the three months and six months ended June 30, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) were \$107,552 thousand, \$(34,004) thousand, \$(94,892) thousand and \$(82,495) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

33. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)

- 3) Marketable securities held. (Table 3)
 - 4) Marketable securities acquired and disposed at costs or prices 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 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments. (Notes 7 and 28)
 - 10) Significant transactions between the Company and subsidiaries. (Table 10)
 - 11) Name, locations, and other information of investees. (Table 7)
 - 12) Organization chart. (Table 9)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or losses, carrying amount of the investment at the end of the period, repatriations of investment 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, and their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Groups segment information disclosed is as follows:

- Industrial internet of thing services: Focus on industry-driven services;
- Embedded board and design-in services: Provide services involving embedded boards, systems and peripheral hardware and software and customizes designs and services to meet customers' demands;
- Allied design manufacture services: Provide services involving digital logistic, digital healthcare and intelligent retail;
- Smart city solution services: Referring to integrated intelligent applications that can be used in various areas;
- Global customer services: Global repair, technical support and warranty services.

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

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

Segment Revenues and Results

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

	Industrial Interest of Thing Services	Embedded Boards and Design-in Services	Allied Design Manufacture Services	Smart City Solution Services	Global Customer Services	Others	Total
For the six months ended June 30, 2017							
Revenues from external customers	\$ 7,178,134	\$ 5,712,575	\$ 4,265,788	\$ 1,519,394	\$ 2,679,431	\$ 57,025	\$ 21,412,347
Inter-segment revenues	-	-	-	-	-	-	-
Segment revenues	<u>\$ 7,178,134</u>	<u>\$ 5,712,575</u>	<u>\$ 4,265,788</u>	<u>\$ 1,519,394</u>	<u>\$ 2,679,431</u>	<u>\$ 57,025</u>	21,412,347
Eliminations	-	-	-	-	-	-	-
Consolidated revenues	-	-	-	-	-	-	21,412,347
Segment income	<u>\$ 1,573,535</u>	<u>\$ 955,434</u>	<u>\$ 681,445</u>	<u>\$ (675)</u>	<u>\$ 338,039</u>	<u>\$ (47)</u>	3,547,731
Other revenues	-	-	-	-	-	-	54,739
Central administration costs and directors' salaries	-	-	-	-	-	-	(291,299)
Other income and expense	-	-	-	-	-	-	143,883
Finance costs	-	-	-	-	-	-	(6,871)
Share of profits of associates for using the equity method	-	-	-	-	-	-	190,313
Profit before tax	-	-	-	-	-	-	<u>\$ 3,638,496</u>
For the six months ended June 30, 2016							
Revenues from external customers	\$ 6,784,682	\$ 5,348,251	\$ 4,541,928	\$ 1,523,866	\$ 2,399,953	\$ 187,232	\$ 20,785,912
Inter-segment revenues	-	-	-	-	-	-	-
Segment revenues	<u>\$ 6,784,682</u>	<u>\$ 5,348,251</u>	<u>\$ 4,541,928</u>	<u>\$ 1,523,866</u>	<u>\$ 2,399,953</u>	<u>\$ 187,232</u>	20,785,912
Eliminations	-	-	-	-	-	-	-
Consolidated revenues	-	-	-	-	-	-	20,785,912
Segment income	<u>\$ 1,481,771</u>	<u>\$ 1,024,893</u>	<u>\$ 749,311</u>	<u>\$ 166,641</u>	<u>\$ 268,894</u>	<u>\$ (12,719)</u>	3,678,791
Other revenues	-	-	-	-	-	-	46,976
Central administration costs and directors' salaries	-	-	-	-	-	-	(470,461)
Other income and expense	-	-	-	-	-	-	215,291
Finance costs	-	-	-	-	-	-	(3,397)
Share of profits of associates for using the equity method	-	-	-	-	-	-	42,420
Profit before tax	-	-	-	-	-	-	<u>\$ 3,509,620</u>

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	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	Better Auto	Advantech Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	\$ 20,729 (RMB 4,520 thousand)	\$ 20,277 (RMB 4,520 thousand)	\$ 20,277 (RMB 4,520 thousand)	1	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 2,435,594 (Note C)	\$ 4,871,188 (Note C)
		Advantech Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	15,673 (US\$ 500 thousand)	-	-	1	Short-term financing	-	Financing need	-	None	None	2,435,594 (Note C)	4,871,188 (Note C)
2	ANA	B+B (CZ)	Trade receivables - related parties	Yes	23,509 (US\$ 750 thousand)	22,815 (US\$ 750 thousand)	7,605 (US\$ 250 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,435,594 (Note C)	4,871,188 (Note C)
3	B+B	B+B (CZ)	Trade receivables - related parties	Yes	39,505 (CZK 31,756 thousand)	-	-	2	Short-term financing	-	Financing need	-	None	None	2,435,594 (Note C)	4,871,188 (Note C)
4	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	15,912 (CZK 12,000 thousand)	15,912 (CZK 12,000 thousand)	15,912 (CZK 12,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,435,594 (Note C)	4,871,188 (Note C)
5	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	\$ 13,758 (RMB 3,000 thousand)	-	-	-	Short-term financing	-	Financing need	-	None	None	2,435,594 (Note C)	4,871,188 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of June 30, 2017 were US\$1=NT\$30.42, RMB1=NT\$4.486 and CZK1=NT\$1.326.

Note C: The financing limit for each borrower and for the aggregate financing were 10% and 20%, respectively, of the Company's net asset values.

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%) (Note D)	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	Advanixs Corporate	Subsidiary	\$ 2,435,594	\$ 62,690 (US\$ 2,000 thousand)	\$ 60,840 (US\$ 2,000 thousand)	\$ -	\$ -	0.23	\$ 7,306,782	Y	N	N
		AdvanPOS	Subsidiary	2,435,594	62,690 (US\$ 2,000 thousand)	60,840 (US\$ 2,000 thousand)	-	-	0.23	7,306,782	Y	N	N
		ANA	Subsidiary	2,435,594	940,350 (US\$ 30,000 thousand)	912,600 (US\$ 30,000 thousand)	365,040 (US\$ 12,000 thousand)	-	3.48	7,306,782	Y	N	N
		B+B	Subsidiary	2,435,594	313,450 (US\$ 10,000 thousand)	304,200 (US\$ 10,000 thousand)	-	-	1.16	7,306,782	Y	N	N
		AKMC	Subsidiary	2,435,594	188,070 (US\$ 6,000 thousand)	182,520 (US\$ 6,000 thousand)	-	-	0.70	7,306,782	Y	N	Y
		ALNC	Subsidiary	2,435,594	109,708 (US\$ 3,500 thousand)	45,630 (US\$ 1,500 thousand)	-	-	0.17	7,306,782	Y	N	N
		Advanixs Corporate	Subsidiary	2,435,594	50,152 (US\$ 1,600 thousand)	48,672 (US\$ 1,600 thousand)	-	-	0.19	7,306,782	Y	N	N
		Cermate	Subsidiary	2,435,594	48,585 (US\$ 1,000 thousand)	30,420 (US\$ 1,000 thousand)	-	-	0.12	7,306,782	Y	N	N
		AiST	Subsidiary	2,435,594	4,702 (US\$ 150 thousand)	4,563 (US\$ 150 thousand)	-	-	0.02	7,306,782	Y	N	N
		AdvanPOS	Subsidiary	2,435,594	31,345 (US\$ 1,000 thousand)	30,420 (US\$ 1,000 thousand)	-	-	0.12	7,306,782	Y	N	N
		A-DLog	Subsidiary	2,435,594	34,720 (EUR 1,000 thousand)	34,720 (EUR 1,000 thousand)	-	-	0.13	7,306,782	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%) (Note D)	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										
		ABR	Subsidiary	\$ 2,435,594	\$ 47,018 (US\$ 1,500 thousand)	\$ 45,630 (US\$ 1,500 thousand)	\$ -	\$ -	0.17	\$ 7,306,782	Y	N	N
		AAU	Subsidiary	2,435,594	6,269 (US\$ 200 thousand)	6,084 (US\$ 200 thousand)	-	-	0.02	7,306,782	Y	N	N
		AKR	Subsidiary	2,435,594	1,567 (US\$ 50 thousand)	1,521 (US\$ 50 thousand)	-	-	0.01	7,306,782	Y	N	N
		Shenzhe Cermate Technologies Inc.	Subsidiary	2,435,594	16,682 (US\$ 550 thousand)	16,731 (US\$ 550 thousand)	-	-	0.06	7,306,782	Y	N	Y
		Advantech LNC Dong Guan Co., Ltd.	Subsidiary	2,435,594	60,840 (US\$ 2,000 thousand)	60,840 (US\$ 2,000 thousand)	-	-	0.23	7,306,782	Y	N	Y

Note A: 10% of the Company's net equity value.

Note B: 30% of the Company's net equity value.

Note C: The exchange rates as of June 30, 2017 were US\$1=NT\$30.42 and EUR1=NT\$34.72.

Note D: The latest net equity is from the financial statements for the three months ended March 31, 2017.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	4,739,461	\$ 1,362,595	0.64	\$ 1,362,595	Note A
	Pegatron Corp.	-	Same as above	1,040,570	99,166	0.04	99,166	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	55,320	2.41	55,320	Note A
	<u>Fund</u>							
	Capital Money Market	-	Available for sale financial assets - current	32,869,533	526,182	-	526,182	Note B
	Mega Diamond Money Market	-	Same as above	113,443,570	1,411,090	-	1,411,090	Note B
FSITC Money Market	-	Same as above	8,310,005	1,471,079	-	1,471,079	Note B	
Advantech Corporate Investment	<u>Stock</u>							
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,501,000	115,296	5.03	115,296	Note A
	BroadTec System Inc.	-	Available for sale financial assets - noncurrent	182,700	1,500	7.50	1,500	-
	BiosenseTek Corp.	-	Same as above	37,500	375	1.79	375	-
	Jaguar Technology	-	Same as above	500,000	7,500	16.67	7,500	-
	Allied Circuit Co., Ltd.	-	Same as above	299,000	13,784	0.60	13,784	Note A
	Phison Electronics Corporation	-	Available for sale financial assets - current	1,500,000	563,250	0.76	563,250	Note A
	E Ink Holdings Inc.	-	Same as above	1,484,000	41,997	0.13	41,997	Note A
	Xplore Technologies Corp.	-	Same as above	133,160	7,899	1.21	7,899	Note A
	<u>Fund</u>							
	Mega Diamond Money Market	-	Same as above	28,208,302	350,875	-	350,875	Note B
FSITC Money Market	-	Same as above	2,349,453	415,912	-	415,912	Note B	
Taishin 1699 Money Market	-	Same as above	10,082,701	135,313	-	135,313	Note B	
Advanixs Corporate	<u>Fund</u>							
	Jih Sun Money Market	-	Same as above	15,306,801	224,961	-	224,961	Note B
	CTBC Hwa-win Money Market Fund	-	Same as above	2,290,363	25,042	-	25,042	Note B
Mega Diamond Money Market	-	Same as above	4,710,352	58,591	-	58,591	Note B	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AiST	<u>Fund</u> Jih Sun Money Market	-	Available for sale financial assets - current	5,317,469	\$ 78,150	-	\$ 78,150	Note B
ALNC	<u>Fund</u> Mega Diamond Money Market	-	Same as above	2,178,929	27,103	-	27,103	Note B
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Same as above	5,365,025	66,734	-	66,734	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	600,530	9,613	-	9,613	Note B
Cermate	<u>Fund</u> Mega Diamond Money Market	-	Same as above	2,579,193	32,081	-	32,081	Note B
AiSC	<u>Fund</u> Shanghai Shangchuang Xinwei Investment Management Co., Ltd.		Financial assets measured at cost - noncurrent	-	67,290	7.50	67,290	-

Note A: Market value was based on the closing price on June 30, 2017.

Note B: Market value was based on the net asset values of the open-ended mutual funds on June 30, 2017.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE SIX MONTHS ENDED JUNE 30, 2017
 (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 (Note)		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> Capital Money Market	Available-for-sale financial assets - current	-	-	6,257,979	\$ 100,000	44,742,603	\$ 716,000	18,131,049	\$ 290,033	\$ 289,932	\$ 101	32,869,533	\$ 526,068
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	24,168,482	300,021	93,300,496	1,160,000	4,025,408	50,000	49,970	30	113,443,570	1,410,051
	FSITC Money Market	Available-for-sale financial assets - current	-	-	1,698,386	300,000	8,310,005	1,470,000	1,698,386	300,178	300,000	178	8,310,005	1,470,000
Advanixs Corporate	<u>Fund</u> Jih Sun Money Market	Available-for-sale financial assets - current	-	-	38,021,440	557,763	7,675,184	112,701	30,389,823	446,600	445,451	1,149	15,306,801	225,013

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,066,204	6.05	\$ -	-	\$ 404,289	\$ -
	AEU	Subsidiary	1,293,606	3.78	-	-	234,171	-
	AiSC	Subsidiary	110,595	1.93	-	-	21,981	-
	AJP	Subsidiary	136,364	4.01	-	-	-	-
	AKMC	Subsidiary	205,981	6.51	-	-	162,596	-
	AKR	Subsidiary	196,475	6.68	-	-	107,094	-
	ANA	Subsidiary	958,940	7.29	-	-	-	-
AKMC	The Company	Parent company	1,256,364	8.17	-	-	250,142	-
Advanixs Kun Shan Corp.	AKMC	Related enterprise	125,787	2.60	-	-	33,742	-
Advanixs Corporate	AKMC	Related enterprise	448,723	5.41	-	-	22,773	-
	The Company	Parent company	562,812	4.01	-	-	-	-
ALNC	Advantech LNC Dong Guan Co., Ltd.	Parent company	137,261	2.37	-	-	17,306	-
AdvanPOS	The Company	Parent company	462,312	5.99	-	-	-	-

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

Buyer	Related Party	Relationship	Transaction Details (Note D)				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total		
The Company	ACN	Subsidiary	Sale	\$ (2,855,369)	18.41	45 days after month-end	Contract price	No significant difference in terms for related parties	\$ 1,066,204	17.49	Note A	
	AEU	Subsidiary	Sale	(2,119,577)	13.67	30 days after month-end	Contract price	No significant difference in terms for related parties	1,291,670	21.19		
	AiSC	Subsidiary	Sale	(109,380)	0.71	45 days after month-end	Contract price	No significant difference in terms for related parties	110,595	1.81		Note B
	AJP	Subsidiary	Sale	(351,772)	2.27	60-90 days	Contract price	No significant difference in terms for related parties	135,803	2.23		
	AKMC	Subsidiary	Sale	(705,663)	4.55	45 days after month-end	Contract price	No significant difference in terms for related parties	205,981	3.38		Note C
	AKR	Subsidiary	Sale	(491,134)	3.17	60 days after invoice date	Contract price	No significant difference in terms for related parties	195,845	3.21		
	AMY	Subsidiary	Sale	(107,642)	0.69	45 days after month-end	Contract price	No significant difference in terms for related parties	67,597	1.11		
	ANA	Subsidiary	Sale	(3,781,998)	24.38	45 days after month-end	Contract price	No significant difference in terms for related parties	956,809	15.70		
	ASG	Subsidiary	Sale	(132,908)	0.86	60-90 days	Contract price	No significant difference in terms for related parties	60,325	0.99		
	Advanixs Corporate	Subsidiary	Sale	(235,405)	1.52	60-90 days	Contract price	No significant difference in terms for related parties	65,600	1.08		
	AKMC	Subsidiary	Purchase	5,042,214	45.63	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,256,364)	32.26		
	Advanixs Corporate	Subsidiary	Purchase	1,191,831	10.79	Usual trade terms	Contract price	No significant difference in terms for related parties	(562,812)	14.45		
	AdvanPOS	Subsidiary	Purchase	1,215,099	11.00	Usual trade terms	Contract price	No significant difference in terms for related parties	(462,312)	11.87		
	AKMC	The Company	Parent company	Sale	(5,042,214)	94.00	Usual trade terms	Contract price	No significant difference in terms for related parties	1,256,364		93.85
Advanixs Corporate	The Company	Parent company	Sale	(1,191,831)	38.10	Usual trade terms	Contract price	No significant difference in terms for related parties	562,812	50.54		
AdvanPOS	The Company	Parent company	Sale	(1,215,099)	99.62	Usual trade terms	Contract price	No significant difference in terms for related parties	462,312	99.89		
ACN	The Company	Parent company	Purchase	2,855,369	72.31	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,066,204)	74.45		
AEU	The Company	Parent company	Purchase	2,119,577	82.76	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,291,670)	91.09		
AiSC	The Company	Parent company	Purchase	109,380	39.26	45 days after month-end	Contract price	No significant difference in terms for related parties	(110,595)	66.42		
AJP	The Company	Parent company	Purchase	351,772	89.42	60-90 days	Contract price	No significant difference in terms for related parties	(135,803)	96.07		
AKMC	The Company	Parent company	Purchase	705,663	14.23	45 days after month-end	Contract price	No significant difference in terms for related parties	(205,981)	10.58		
AKR	The Company	Parent company	Purchase	491,134	64.87	60 days after invoice date	Contract price	No significant difference in terms for related parties	(195,845)	67.82		
AMY	The Company	Parent company	Purchase	107,642	91.63	45 days after month-end	Contract price	No significant difference in terms for related parties	(67,597)	97.67		
ANA	The Company	Parent company	Purchase	3,781,998	90.86	45 days after month-end	Contract price	No significant difference in terms for related parties	(956,809)	92.71		

(Continued)

Buyer	Related Party	Relationship	Transaction Details (Note D)				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ASG	The Company	Parent company	Purchase	\$ 132,908	59.83	60-90 days	Contract price	No significant difference in terms for related parties	\$ (60,325)	66.58	
Advanixs Corporate	The Company	Parent company	Purchase	235,405	8.45	60-90 days	Contract price	No significant difference in terms for related parties	(65,600)	8.81	
AKMC	ACN	Related enterprise	Sale	(245,705)	4.59	Usual trade terms	Contract price	No significant difference in terms for related parties	72,897	5.45	
Advanixs Kun Shan Corp.	AKMC	Related enterprise	Sale	(175,504)	98.97	Usual trade terms	Contract price	No significant difference in terms for related parties	125,787	100.00	
Advanixs Corporate	AKMC	Related enterprise	Sale	(1,468,980)	46.97	Usual trade terms	Contract price	No significant difference in terms for related parties	448,723	40.29	
ALNC	Advantech LNC Dong Guan Co., Ltd.	Related enterprise	Sale	(136,014)	73.65	Usual trade terms	Contract price	No significant difference in terms for related parties	137,261	88.82	
ACN	AKMC	Related enterprise	Purchase	245,705	6.22	Usual trade terms	Contract price	No significant difference in terms for related parties	(72,897)	5.09	
AKMC	Advanixs Kun Shan Corp.	Related enterprise	Purchase	175,504	3.54	Usual trade terms	Contract price	No significant difference in terms for related parties	(125,787)	6.46	
	Advanixs Corporate	Related enterprise	Purchase	1,468,980	29.62	Usual trade terms	Contract price	No significant difference in terms for related parties	(448,723)	23.04	
Advantech LNC Dong Guan Co., Ltd.	ALNC	Related enterprise	Purchase	136,014	76.93	Usual trade terms	Contract price	No significant difference in terms for related parties	(137,261)	76.46	

Note A: Unrealized gain for the period was \$16,494 thousand.

Note B: Realized gain for the period was \$2,838 thousand.

Note C: Unrealized gain for the period was \$12,001 thousand.

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE SIX MONTHS ENDED JUNE 30, 2017

(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 June 30, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				June 30, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	\$ 1,000,207	\$ 1,000,207	29,623,834	100.00	\$ 4,040,156	\$ 189,673	\$ 190,658	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,219,802	82,012	82,439	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	776,748	246,884	233,622	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	1,874,743	50,902	51,256	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.99	590,480	791,382	205,658	Equity-meth investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	460,572	460,572	20,438,000	100.00	544,533	58,387	58,870	Subsidiary
	ALNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	431,634	431,634	24,350,000	81.17	491,631	10,925	8,880	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	10,101	4,190	1,196	Equity-meth investee
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	303	(313)	(313)	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	12,572,024	100.00	855,202	(30,940)	(31,687)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	79,370	5,835	5,835	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	39,085	(785)	(785)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	238,213	18,306	18,306	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	54,712	16,745	16,745	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	287,244	59,386	59,386	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	70,234	10,041	8,033	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,406	767	767	Subsidiary
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	157,915	157,915	10,000,000	100.00	171,801	10,318	10,318	Subsidiary
	BEMC	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	6	60.00	1,864,875	16,297	8,653	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	5,567	999,999	99.99	11,896	(240)	(240)	Subsidiary
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile system	135,000	135,000	13,500,000	45.00	92,935	(36,234)	(16,304)	Equity-meth investee
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	72,437	-	17,280	36.00	61,137	(31,391)	(11,301)	Subsidiary (Note B)
	AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	48,155	-	11,520	24.00	40,621	(31,391)	(7,534)
Advantech Corporate Investment	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	124,485	11,833	6,862	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	15,854	(597)	(237)	Equity-meth investee
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	75,000	-	7,500,000	20.00	75,000	-	-	Equity-meth investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	3,170,250	115,203	115,630	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,265,968	93,145	92,951	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,919,772	96,528	97,707	Subsidiary
ANA	BEMC	Delaware, USA	Sale of industrial network communications	1,328,004	1,328,004	4	40.00	1,248,338	16,297	6,519	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	11,314,280	100.00	872,264	(20,914)	(21,661)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	13,489	(9,595)	(9,595)	Subsidiary
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	475,502	(20,451)	(21,198)	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	19,961	3,069	1,565	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	2,842	477	477	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	84,251	10,992	10,992	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				June 30, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
ALNC	Better Auto	BVI	General investment	\$ 264,445	\$ 264,445	\$ 8,556,096	100.00	\$ 84,382	\$ 9,113	\$ 9,223	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	58,833	8,488	8,488	Subsidiary
BEMC	Avtek	Delaware, USA	Sale of industrial network communications systems	US\$ 99,850	US\$ 99,850	-	100.00	3,113,213	16,297	15,172	Subsidiary
Avtek	B+B	Delaware, USA	Sale of industrial network communications systems	US\$ 99,850	US\$ 99,850	384,111	100.00	3,113,213	16,297	15,172	Subsidiary
B+B	BBi	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	116,317	(19,666)	(19,666)	Subsidiary
	Quatech	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBi	B&B Electronics	Delaware, USA	Sale of industrial network communications systems	US\$ 1,314	US\$ 1,314	-	100.00	-	-	-	Subsidiary
	B+B (CZ)	Czech Republic	Sale of industrial network communications systems	-	-	-	99.99	192,761	40,231	40,231	Subsidiary
	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	88	(3,573)	(36)	Subsidiary
	B&B DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
B&B Electronics	B+B (CZ)	Czech Republic	Manufacturing of cellular and automation solution	-	-	-	0.01	-	-	-	Subsidiary
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	8,755	(3,573)	(3,537)	Subsidiary

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

Note B: In the first quarter of 2017, the Group made arrangement to acquire equity in AKST for US\$3,800 thousand.

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

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE SIX MONTHS ENDED JUNE 30, 2017

(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note F)	Indirect	\$ 1,134,666 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,134,666 (US\$ 37,300 thousand)	\$ 102,206	100	\$ 102,633	\$ 2,725,930	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	162,199 (US\$ 5,332 thousand)	-	-	162,199 (US\$ 5,332 thousand)	109,586	100	110,190	1,203,081	341,677 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sale of industrial automation products	US\$ 8,000 thousand	Indirect	243,360 (US\$ 8,000 thousand)	-	-	243,366 (US\$ 8,000 thousand)	1,008	100	1,584	721,008	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	(14,862)	100	(14,862)	(7,365)	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	(136)	100	(136)	14,393	-
Advanixs Kun Shan Corp.		RMB 99,515 thousand	Indirect	-	-	-	-	17,912	100	12,997	444,322	-

Accumulated Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,546,309 (US\$50,832 thousand) (Note E)	\$2,603,952 (US\$85,600 thousand)	\$14,722,772 (Note H)

(Continued)

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

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

Note C: Remittance by AAC (H.K.) Limited.

Note D: Remittance by ACN.

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

Note G: The exchange rate was US\$1=NT\$30.42.

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

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

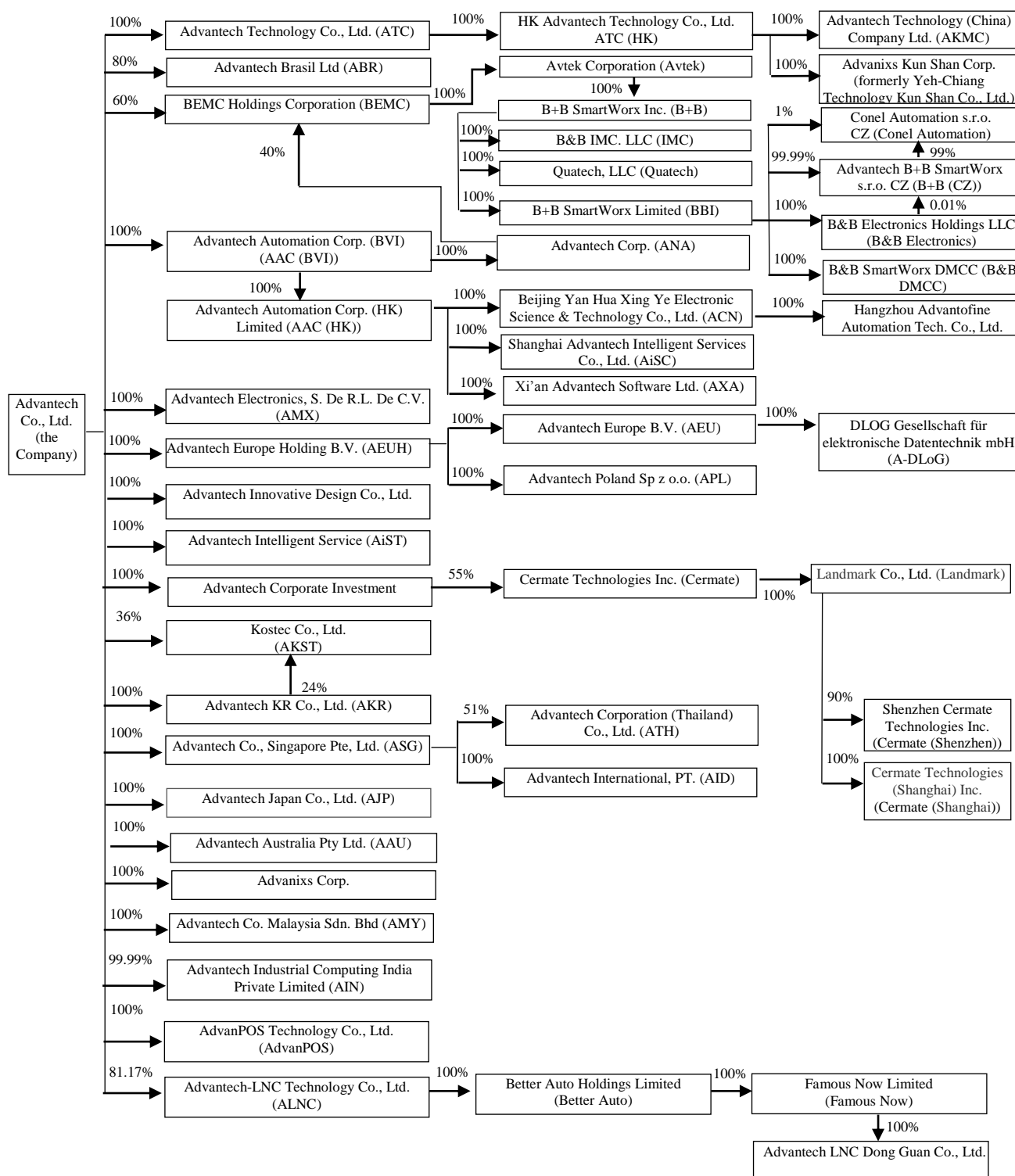
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TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

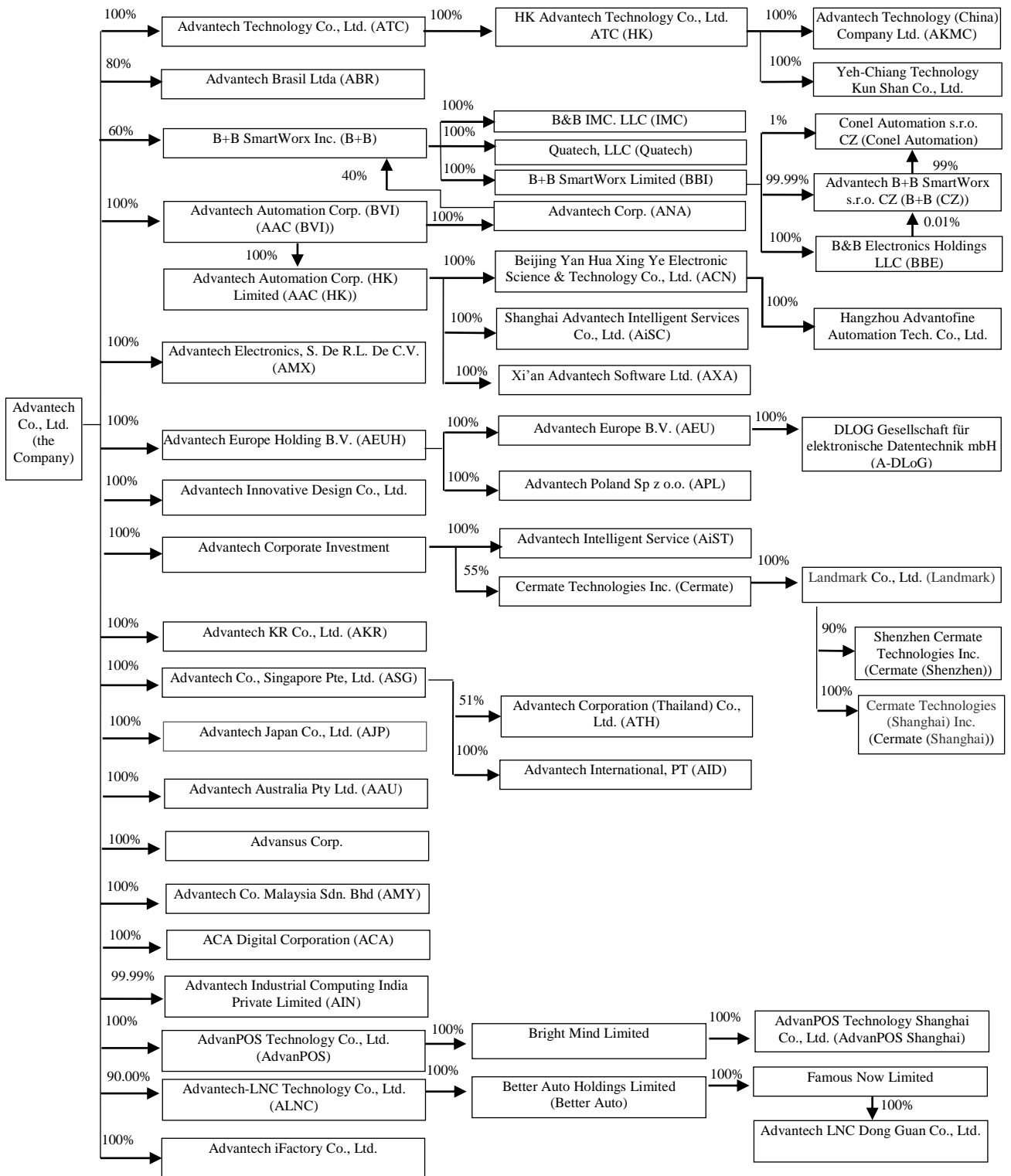
**ORGANIZATION CHART
JUNE 30, 2017 AND 2016**

Intercompany relationships and percentages of ownership as of June 30, 2017 are shown below:



(Continued)

Intercompany relationships and percentages of ownership as of June 30, 2016 are shown below:



(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
 FOR THE SIX MONTHS ENDED JUNE 30, 2017
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	The Company	AAC(HK)	1	Other receivables from related parties	\$ 35	45 days EOM	-
		AAU	1	Other revenue	962	Normal	-
		AAU	1	Other receivables from related parties	538	60-90 days	-
		AAU	1	Receivables from related parties	26,214	60-90 days	-
		AAU	1	Sales revenue	79,028	Normal	-
		ABR	1	Other revenue	1,042	Normal	-
		ABR	1	Other receivables from related parties	9,273	90 days EOM	-
		ABR	1	Receivables from related parties	24,604	90 days EOM	-
		ABR	1	Sales revenue	52,313	Normal	-
		ACN	1	Receivables from related parties	1,066,204	45 days EOM	3
		ACN	1	Sales revenue	2,855,369	Normal	13
		A-DLoG	1	Other revenue	1,280	Normal	-
		A-DLoG	1	Other receivables from related parties	451	30 days after invoice date	-
		A-DLoG	1	Receivables from related parties	21,635	30 days after invoice date	-
		A-DLoG	1	Sales revenue	73,763	Normal	-
		AEU	1	Sales revenue	2,119,577	Normal	10
		AEU	1	Other revenue	8,153	Normal	-
		AEU	1	Other receivables from related parties	1,936	30 days EOM	-
		AEU	1	Receivables from related parties	1,291,670	30 days EOM	3
		AID	1	Receivables from related parties	6,763	45 days after invoice date	-
		AID	1	Sales revenue	8,090	Normal	-
		AIN	1	Sales revenue	11,794	Normal	-
		AIN	1	Other receivables from related parties	4,147	60 days EOM	-
		AIN	1	Receivables from related parties	32,964	60 days EOM	-
		AIN	1	Other revenue	876	Normal	-
		AiSC	1	Receivables from related parties	110,595	45 days EOM	-
		AiSC	1	Sales revenue	109,380	Normal	1
		AJP	1	Other revenue	2,207	Normal	-
		AJP	1	Other receivables from related parties	561	60-90 days	-
		AJP	1	Receivables from related parties	135,803	60-90 days	-
		AJP	1	Sales revenue	351,772	Normal	2
		AKMC	1	Receivables from related parties	205,981	45 days EOM	1
		AKMC	1	Sales revenue	705,663	Normal	3
		AKR	1	Other revenue	2,712	Normal	-
		AKR	1	Other receivables from related parties	630	60 days after invoice date	-
		AKR	1	Receivables from related parties	195,845	60 days after invoice date	-
		AKR	1	Sales revenue	491,134	Normal	2

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AKST	1	Sales revenue	\$ 4,304	Normal	-
		AMY	1	Other revenue	1,343	Normal	-
		AMY	1	Other receivables from related parties	865	45 days EOM	-
		AMY	1	Receivables from related parties	67,597	45 days EOM	-
		AMY	1	Sales revenue	107,642	Normal	1
		ANA	1	Other revenue	10,262	Normal	-
		ANA	1	Other receivables from related parties	2,131	45 days EOM	-
		ANA	1	Receivables from related parties	956,809	45 days EOM	2
		ANA	1	Sales revenue	3,781,998	Normal	18
		APL	1	Receivables from related parties	4,367	45 days EOM	-
		APL	1	Sales revenue	7,058	Normal	-
		ASG	1	Other revenue	1,638	Normal	-
		ASG	1	Other receivables from related parties	1,065	60-90 days	-
		ASG	1	Receivables from related parties	60,325	60-90 days	-
		ASG	1	Sales revenue	132,908	Normal	1
		ATH	1	Other revenue	1,291	Normal	-
		ATH	1	Other receivables from related parties	265	30 days after invoice date	-
		ATH	1	Receivables from related parties	7,339	30 days after invoice date	-
		ATH	1	Sales revenue	30,189	Normal	-
		Cermate	1	Other receivables from related parties	105	30 days EOM	-
		Cermate	1	Other revenue	600	Normal	-
		Advantech Corporate Investment	1	Rental revenue	18	Normal	-
		AiST	1	Receivables from related parties	1,446	30 days EOM	-
		AiST	1	Sales revenue	6,885	Normal	-
		AiST	1	Other receivables from related parties	907	30 days EOM	-
		ALNC	1	Other revenue	600	Normal	-
		ALNC	1	Sales revenue	2,473	Normal	-
		ALNC	1	Other receivables from related parties	231	60-90 days EOM	-
		ALNC	1	Receivables from related parties	1,097	60-90 days EOM	-
		Advanixs Corporate	1	Rental revenue	2,400	Normal	-
		Advanixs Corporate	1	Other receivables from related parties	25	60-90 days	-
		Advanixs Corporate	1	Receivables from related parties	65,600	60-90 days	-
		Advanixs Corporate	1	Sales revenue	235,405	Normal	1
		AdvanPOS	1	Other revenue	2,520	Normal	-
		AKST	1	Receivables from related parties	4,343	30 days EOM	-
		B+B	1	Receivables from related parties	5,212	60 days EOM	-
		B+B(CZ)	1	Sales revenue	699	Normal	-
		B+B	1	Sales revenue	24,526	Normal	-
1	AAC(HK)	The Company	2	Other revenue	4,058	Normal	-
2	AAU	AEU	3	Receivables from related parties	189	30 days after invoice date	-
		The Company	2	Other receivables from related parties	322	60-90 days	-
		The Company	2	Sales revenue	34	Normal	-
		The Company	2	Other revenue	1,326	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
3	ABR	The Company	2	Sales revenue	\$ 13	Normal	-
		The Company	2	Other revenue	2,108	Normal	-
		The Company	2	Receivables from related parties	12	30 days after invoice date	-
		The Company	2	Other receivables from related parties	2,346	30 days after invoice date	-
4	ACN	AEU	3	Sales revenue	3,326	Normal	-
		AEU	3	Receivables from related parties	968	30 days EOM	-
		AiSC	3	Sales revenue	74,271	Normal	-
		AiSC	3	Receivables from related parties	24,870	Immediate payment	-
		AKMC	3	Receivables from related parties	9,234	60-90 days	-
		AKMC	3	Sales revenue	19,347	Normal	-
		AKR	3	Sales revenue	424	Normal	-
		ANA	3	Sales revenue	34	Normal	-
		AXA	3	Other receivables from related parties	34,110	60 days EOM	-
		The Company	2	Receivables from related parties	33	30 days EOM	-
		The Company	2	Sales revenue	310	Normal	-
		The Company	2	Other revenue	162	Normal	-
		5	A-DLoG	AAU	3	Sales revenue	929
AEU	3			Receivables from related parties	1,447	30 days upon delivery	-
AKMC	3			Sales revenue	313	Normal	-
AKMC	3			Receivables from related parties	327	60 days after invoice date	-
AKR	3			Receivables from related parties	2,338	60 days EOM	-
AKR	3			Sales revenue	4,058	Normal	-
ANA	3			Advance receipts	358	30 days EOM	-
ANA	3			Sales revenue	461	Normal	-
ASG	3			Sales revenue	11	Normal	-
The Company	2			Receivables from related parties	13,487	30 days after invoice date	-
The Company	2			Sales revenue	41,492	Normal	-
6	AEU			AAU	3	Sales revenue	35
		ACN	3	Sales revenue	41	Normal	-
		ACN	3	Receivables from related parties	145	30 days after invoice date	-
		A-DLoG	3	Receivables from related parties	4,478	30 days upon delivery	-
		AJP	3	Receivables from related parties	28	90 days EOM	-
		AKMC	3	Receivables from related parties	137	30 days EOM	-
		AKMC	3	Sales revenue	147	Normal	-
		A-DLoG	3	Sales revenue	13,491	Normal	-
		APL	3	Receivables from related parties	750	30 days after invoice date	-
		APL	3	Sales revenue	1,413	Normal	-
		ANA	3	Receivables from related parties	902	30 days after invoice date	-
		AJP	3	Sales revenue	31	Normal	-
		AKR	3	Sales revenue	16	Normal	-
		AKR	3	Receivables from related parties	16	30 days after invoice date	-
		ANA	3	Sales revenue	4,863	Normal	-
		ATH	3	Sales revenue	2	Normal	-
		ATH	3	Receivables from related parties	2	30 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		BBI	3	Receivables from related parties	\$ 1,194	30 days after invoice date	-
		BBI	3	Sales revenue	4,595	Normal	-
		The Company	2	Receivables from related parties	1,915	30 days EOM	-
		The Company	2	Other receivables from related parties	81	30 days EOM	-
		The Company	2	Sales revenue	5,531	Normal	-
		The Company	2	Other revenue	270	Normal	-
7	AID	ASG	3	Other revenue	326	Normal	-
		ASG	3	Other receivables from related parties	527	30 days EOM	-
		AKMC	3	Other revenue	27	Normal	-
8	AIN	The Company	2	Other revenue	276	Normal	-
9	AiSC	AAC(HK)	3	Other receivables from related parties	4,502	90 days	-
		ACN	3	Sales revenue	18,785	Normal	-
		ACN	3	Other receivables from related parties	30,933	Immediate payment	-
		ACN	3	Receivables from related parties	621	Immediate payment	-
		ACN	3	Rental revenue	2,648	Normal	-
		AEU	3	Sales revenue	1,096	Normal	-
		AEU	3	Receivables from related parties	423	Immediate payment	-
		AKMC	3	Sales revenue	112	Normal	-
		AKMC	3	Receivables from related parties	1,091	30 days EOM	-
		ASG	3	Sales revenue	8	Normal	-
		ASG	3	Receivables from related parties	8	30 days EOM	-
		The Company	2	Sales revenue	126	Normal	-
10	AJP	ACN	3	Sales revenue	21	Normal	-
		AKMC	3	Receivables from related parties	2,191	45 days EOM	-
		AKMC	3	Sales revenue	3,704	Normal	-
		The Company	2	Receivables from related parties	1	60-90 days	-
		The Company	2	Sales revenue	41	Normal	-
		The Company	2	Other revenue	310	Normal	-
11	AKMC	ACN	3	Other receivables from related parties	351	60 days EOM	-
		ACN	3	Rental revenue	1,922	Normal	-
		ACN	3	Sales revenue	245,705	Normal	1
		ACN	3	Receivables from related parties	72,897	60-90 days	-
		AEU	3	Sales revenue	5,319	Normal	-
		AEU	3	Receivables from related parties	520	30 days after invoice date	-
		AiSC	3	Sales revenue	30,302	Normal	-
		AiSC	3	Receivables from related parties	5,948	Immediate payment	-
		ANA	3	Sales revenue	846	Normal	-
		ANA	3	Receivables from related parties	296	60-90 days	-
		The Company	2	Sales revenue	5,042,214	Normal	24
		The Company	2	Receivables from related parties	1,256,364	60 days EOM	3
		The Company	2	Other revenue	4	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		Advanixs Corporate	3	Receivables from related parties	\$ 494	Immediate payment	-
		Advanixs Corporate	3	Sales revenue	1,989	Normal	-
		Advanixs Kun Shan Corp.	3	Sales revenue	430	Normal	-
		AdvanPOS	3	Sales revenue	2,304	Normal	-
12	AKR	The Company	2	Other receivables from related parties	76	90 days EOM	-
		The Company	2	Sales revenue	8	Normal	-
		The Company	2	Other revenue	178	Normal	-
13	AKST	The Company	2	Receivables from related parties	59	30 days EOM	-
		AKMC	3	Receivables from related parties	360	30 days EOM	-
		The Company	2	Other receivables from related parties	555	30 days EOM	-
		The Company	2	Sales revenue	59	Normal	-
		The Company	2	Other revenue	558	Normal	-
		AKMC	3	Sales revenue	394	Normal	-
14	AMX	The Company	2	Other receivables from related parties	761	Immediate payment	-
		The Company	2	Other revenue	3,114	Normal	-
15	AMY	ASG	3	Sales revenue	30	Normal	-
16	ANA	AAU	3	Receivables from related parties	13	60 days after invoice date	-
		AAU	3	Sales revenue	42	Normal	-
		AEU	3	Sales revenue	4,103	Normal	-
		AEU	3	Receivables from related parties	1,811	60-90 days	-
		B+B	3	Rental revenue	713	Normal	-
		B+B	3	Other receivables from related parties	7,605	Financing	-
		AKMC	3	Receivables from related parties	1,200	30 days EOM	-
		B+B	3	Interest revenue	189	Normal	-
		AKMC	3	Sales revenue	9,766	Normal	-
		AKR	3	Sales revenue	367	Normal	-
		AdvanPOS	3	Sales revenue	48,304	Normal	-
		The Company	2	Receivables from related parties	4,069	45 days EOM	-
		The Company	2	Other receivables from related parties	1,292	45 days EOM	-
		The Company	2	Sales revenue	25,603	Normal	-
		The Company	2	Other revenue	3,694	Normal	-
		Advanixs Corporate	3	Sales revenue	1,813	Normal	-
		AdvanPOS	3	Receivables from related parties	3,331	30 days after invoice date	-
17	APL	AEU	3	Receivables from related parties	6,172	30 days after invoice date	-
		AEU	3	Sales revenue	26,044	Normal	-
		AEU	3	Commission revenue	4,901	Normal	-
		AAU	3	Receivables from related parties	4	30 days after invoice date	-
		The Company	2	Receivables from related parties	4	30 days after invoice date	-
		The Company	2	Other receivables from related parties	175	30 days after invoice date	-
		The Company	2	Sales revenue	4	Normal	-
		The Company	2	Other revenue	204	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
18	ASG	AMY	3	Receivables from related parties	\$ 555	30 days EOM	-
		AMY	3	Sales revenue	4,147	Normal	-
		ATH	3	Sales revenue	323	Normal	-
		ATH	3	Other revenue	1,577	Normal	-
		ATH	3	Receivables from related parties	34	30 days EOM	-
		The Company	2	Sales revenue	177	Normal	-
		The Company	2	Other revenue	245	Normal	-
19	ATC	The Company	2	Receivables from related parties	50,373	60 days EOM	-
20	ATH	The Company	2	Sales revenue	7	Normal	-
21	AXA	ACN	3	Other receivables from related parties	834	30 days EOM	-
22	B+B	The Company	2	Receivables from related parties	6,807	90 days EOM	-
		The Company	2	Sales revenue	13,908	Normal	-
23	BBI	B+B(CZ)	3	Other receivables from related parties	69	45 days EOM	-
24	B+B(CZ)	Conel Automation	3	Receivables from related parties	61	45 days EOM	-
		BBI	3	Receivables from related parties	373	45 days EOM	-
		B+B	3	Receivables from related parties	4,050	45 days EOM	-
		Conel Automation	3	Other receivables from related parties	1,131	45 days EOM	-
		BBI	3	Sales revenue	1,061	Normal	-
		B+B	3	Sales revenue	13,909	Normal	-
		Conel Automation	3	Other revenue	1,511	45 days EOM	-
		The Company	2	Receivables from related parties	1,568	45 days EOM	-
		Conel Automation	3	Sales revenue	137	Normal	-
		The Company	2	Sales revenue	3,497	Normal	-
		Conel Automation	3	Interest revenue	147	Normal	-
25	Conel Automation	B+B(CZ)	3	Receivables from related parties	248	60 days EOM	-
		B+B(CZ)	3	Sales revenue	257	Normal	-
26	Advanixs Kun Shan Corp.	AKMC	3	Receivables from related parties	125,787	30 days EOM	-
		AKMC	3	Sales revenue	175,504	Normal	1
		ACN	3	Sales revenue	486	Normal	-
27	Advantech LNC Dong Guan Co., Ltd.	ACN	3	Sales revenue	2,623	Normal	-
		ACN	3	Receivables from related parties	181	90 days EOM	-
28	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	338	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
29	Cermate	The Company	2	Receivables from related parties	\$ 147	30-60 days	-
		The Company	2	Sales revenue	1,876	Normal	-
		The Company	2	Other revenue	52	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	49,577	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	20,341	30 days EOM	-
		ALNC	3	Sales revenue	1	Normal	-
30	Cermate (Shenzhen)	AKMC	3	Receivables from related parties	5,326	40 days EOM	-
		AKMC	3	Sales revenue	19,578	Normal	-
		Cermate (Shanghai)	3	Sales revenue	15,690	Normal	-
		Cermate	3	Sales revenue	8,160	Normal	-
		Cermate (Shanghai)	3	Receivables from related parties	928	30 days EOM	-
		Cermate	3	Receivables from related parties	3,040	30 days EOM	-
31	Advantech Innovative Design Co., Ltd.	The Company	2	Other revenue	1,018	Normal	-
32	Advanixs Corporate	AKMC	3	Receivables from related parties	448,723	60-90 days	1
		AKMC	3	Sales revenue	1,468,980	Normal	7
		The Company	2	Receivables from related parties	562,812	60-90 days	1
		The Company	2	Sales revenue	1,191,831	Normal	6
		Cermate	3	Sales revenue	202	Normal	-
33	ALNC	The Company	2	Other receivables from related parties	1	45 days EOM	-
		The Company	2	Rental revenue	828	Normal	-
		The Company	2	Sales revenue	900	Normal	-
		Advantech LNC Dong Guan Co., Ltd.	3	Sales revenue	136,014	Normal	1
		Advantech LNC Dong Guan Co., Ltd.	3	Receivables from related parties	137,261	90 days EOM	-
34	AdvanPOS	The Company	2	Receivables from related parties	462,312	60 days EOM	1
		The Company	2	Sales revenue	1,215,099	Normal	6
		Advanixs Corporate	3	Receivables from related parties	539	30 days EOM	-
		Advanixs Corporate	3	Sales revenue	4,601	Normal	-

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

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

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

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of June 30, 2017, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2017.

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