Advantech Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated financial statements of Advantech Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of June 30, 2018 and 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for the six-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 15 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2018 and 2017, the combined total assets of these non-significant subsidiaries were NT$6,362,974 thousand and NT$6,947,566 thousand, respectively, representing 14.03% and 17.14%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT$985,034 thousand NT$2,098,207 thousand, respectively, representing 5.22% and 13.12%, respectively, of the consolidated total liabilities; for the three-month periods and six-month periods ended June 30, 2018 and 2017, the amounts of combined comprehensive income of these subsidiaries were NT$5,943 thousand, NT$403,152 thousand, NT$307,321 thousand and NT$620,025 thousand, respectively, representing 0.37%, 20.41%, 9.84% and 21.54%, respectively, of the consolidated total comprehensive income. Also, as stated in Note 16 to the consolidated financial statements, the investments accounted for using the equity method were NT$2,108,693 thousand and NT$784,370 thousand as of June 30, 2018 and 2017. The equities in earnings of the associates were a profit of NT$26,349 thousand, NT$190,922 thousand, NT$47,856 thousand and NT$190,313 thousand of the Company's consolidated net income in the three months and six months ended June 30, 2018 and 2017, respectively, and these investment amounts as well as additional disclosures in Note 34

"Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of June 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the six-month periods then ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting".

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 27, 2018

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	June 30, 2017 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 5,294,861	12	$ 5,204,219	13	$ 3,368,968	8
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	5,163,405	11	3,098,846	8	116,405	-
Available-for-sale financial assets - current (Notes 10 and 30)	-	-	229,381	1	5,445,872	14
Financial assets at amortized cost - current (Notes 9 and 32)	37,808	-	-	-	-	-
Debt investments with no active market - current (Notes 12 and 32)	-	-	38,908	-	46,453	-
Notes receivable (Note 13)	1,263,877	3	1,255,781	3	1,113,715	3
Trade receivables (Note 13)	7,056,104	16	6,596,030	16	6,528,787	16
Trade receivables from related parties (Note 31)	37,865	-	14,067	-	12,908	-
Other receivables	38,283	-	75,298	-	11,783	-
Other receivables from related parties (Note 31)	143,482	-	-	-	74,964	-
Inventories (Note 14)	7,173,586	16	6,242,251	15	5,969,434	15
Other current assets (Note 19)	574,617	1	445,791	1	545,990	1
Total current assets	26,783,888	59	23,200,572	57	23,235,279	57
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 10 and 30)	-	-	1,430,854	4	1,540,240	4
Financial asset at fair value through other comprehensive income - non-current (Notes 8 and 30)	1,753,637	4	-	-	-	-
Financial assets measured at cost - non-current (Note 11 and 30)	-	-	78,518	-	67,290	-
Investments accounted for using the equity method (Note 16)	2,108,693	5	1,349,735	3	784,370	2
Property, plant and equipment (Notes 17 and 32)	9,859,110	22	9,967,332	24	9,997,910	25
Goodwill (Note 18)	2,828,725	6	2,727,549	7	2,852,088	7
Other intangible assets	1,112,065	2	1,124,407	3	1,224,467	3
Deferred tax assets (Notes 4 and 25)	419,556	1	398,441	1	432,719	1
Prepayments for business facilities	124,484	-	68,440	-	50,802	-
Long-term prepayments for leases (Note 19)	310,175	1	312,708	1	311,648	1
Other non-current assets	44,956	-	45,213	-	36,639	-
Total non-current assets	18,561,401	41	17,503,197	43	17,298,173	43
TOTAL	$ 45,345,289	100	$ 40,703,769	100	$ 40,533,452	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 20 and 32)	$ 8,100	-	$ 8,400	-	$ 373,140	1
Financial liabilities at fair value through profit or loss - current (Notes 7 and 30)	4,637	-	6,226	-	37,246	-
Notes payable and trade payables (Note 31)	6,251,295	14	5,280,728	13	4,194,414	10
Dividends payable	4,600,414	10	-	-	3,988,367	10
Other payables (Notes 21 and 31)	3,576,341	8	3,624,710	9	3,363,786	8
Current tax liabilities (Notes 4 and 25)	1,461,693	3	1,269,165	3	1,376,655	3
Short-term warranty provisions	188,171	-	180,975	-	174,877	1
Current portion of long-term borrowings (Notes 20 and 32)	16,808	-	-	-	13,057	-
Other current liabilities	746,079	2	676,457	2	641,549	2
Total current liabilities	16,853,538	37	11,046,661	27	14,163,091	35
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 20 and 32)	80,924	-	113,717	-	109,656	-
Deferred tax liabilities (Notes 4 and 25)	1,554,127	4	1,399,013	4	1,372,380	3
Net defined benefit liabilities (Notes 4 and 22)	236,053	1	237,225	1	211,359	1
Other non-current liabilities	145,478	-	146,713	-	139,013	-
Total non-current liabilities	2,016,582	5	1,896,668	5	1,832,408	4
Total liabilities	18,870,120	42	12,943,329	32	15,995,499	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Share capital						
Ordinary shares	6,974,575	15	6,970,325	17	6,333,041	16
Advance receipts for share capital	870	-	2,500	-	-	-
Share dividends to be distributed	-	-	-	-	633,074	1
Total share capital	6,975,445	15	6,972,825	17	6,966,115	17
Capital surplus	6,760,672	15	6,554,842	16	6,301,882	15
Retained earnings						
Legal reserve	5,655,613	12	5,039,962	13	5,039,962	13
Special reserve	369,655	1	85,204	-	85,204	-
Unappropriated earnings	6,705,513	15	9,297,896	23	6,091,129	15
Total retained earnings	12,730,781	28	14,423,062	36	11,216,295	28
Other equity						
Exchange differences on translation of foreign financial statements	(360,128)	(1)	(463,479)	(1)	(501,626)	(1)
Unrealized gain on available-for-sale financial assets	-	-	93,824	-	373,276	1
Unrealized gain on financial assets at fair value through other comprehensive income	178,175	1	-	-	-	-
Total other equity	(181,953)	-	(369,655)	(1)	(128,350)	-
Total equity attributable to owners of the Company	26,284,945	58	27,581,074	68	24,355,942	60
NON-CONTROLLING INTERESTS	190,224	-	179,366	-	182,011	1
Total equity	26,475,169	58	27,760,440	68	24,537,953	61
TOTAL	$ 45,345,289	100	$ 40,703,769	100	$ 40,533,452	100

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

(With Deloitte & Touche review report dated July 27, 2018)

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			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 31)								
Sales	$ 12,342,455	98	$ 11,131,558	98	$ 23,400,552	98	$ 20,956,220	98
Other operating revenue	302,989	2	274,550	2	600,087	2	456,127	2
Total operating revenue	12,645,444	100	11,406,108	100	24,000,639	100	21,412,347	100
OPERATING COSTS (Notes 14, 24 and 31)	7,852,972	62	7,005,398	62	14,869,936	62	12,960,299	61
GROSS PROFIT	4,792,472	38	4,400,710	38	9,130,703	38	8,452,048	39
OPERATING EXPENSES (Notes 24 and 31)								
Selling and marketing expenses	1,188,770	10	1,093,114	10	2,365,446	10	2,154,582	10
General and administrative expenses	623,911	5	607,425	5	1,218,111	5	1,208,211	6
Research and development expenses	1,038,340	8	947,038	8	1,963,102	8	1,832,823	8
Total operating expenses	2,851,021	23	2,647,577	23	5,546,659	23	5,195,616	24
OPERATING PROFIT	1,941,451	15	1,753,133	15	3,584,044	15	3,256,432	15
NONOPERATING INCOME								
Share of the profit of associates accounted for using the equity method (Note 16)	26,349	-	190,922	2	47,856	-	190,313	1
Interest income	14,082	-	4,435	-	18,617	-	8,309	-
Gain (loss) on disposal of property, plant and equipment	(1,126)	-	66,578	1	(4,163)	-	65,816	-
Gain on disposal of investments	2,225	-	27,157	-	2,618	-	123,479	1
Foreign exchange gains (losses), net (Notes 24 and 33)	45,671	1	107,552	1	42,915	-	(94,892)	-
Gain (loss) on financial instruments at fair value through profit or loss (Note 7)	(31,307)	-	20,403	-	60,957	1	107,410	-
Dividends income	853	-	633	-	853	-	1,383	-
Other income	37,199	-	21,324	-	52,762	-	45,047	-
Finance costs (Note 24)	(1,265)	-	(4,154)	-	(2,487)	-	(6,871)	-
Loss on financial instruments at fair value through profit or loss (Note 7)	(4,949)	-	(47,908)	-	(32,316)	-	(49,115)	-
Other losses	(653)	-	(498)	-	(1,634)	-	(8,815)	-
Total nonoperating income	87,079	1	386,444	4	185,978	1	382,064	2
PROFIT BEFORE INCOME TAX	2,028,530	16	2,139,577	19	3,770,022	16	3,638,496	17
INCOME TAX EXPENSE (Note 25)	(433,891)	(3)	(417,005)	(4)	(807,445)	(4)	(710,411)	(4)
NET PROFIT FOR THE PERIOD	1,594,639	13	1,722,572	15	2,962,577	12	2,928,085	13

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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			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Share of the other comprehensive income of associates accounted for using the equity method (Notes 16 and 23)	$ 1,861	-	$ -	-	$ 1,861	-	$ -	-
Unrealized gains (losses) on investments in equity instruments as at fair value through other comprehensive income (Note 23)	(115,314)	(1)	-	-	46,203	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	2,127	-	-	-	2,127	-	-	-
	(111,326)	(1)	-	-	50,191	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 23)	110,949	1	184,926	1	114,027	1	(366,205)	(2)
Unrealized gains (losses) on available-for-sale financial assets (Note 23)	-	-	97,446	1	-	-	260,847	1
Share of the other comprehensive income of associates accounted for using the equity method (Notes 16 and 23)	3,757	-	2,401	-	2,094	-	(5,969)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 23 and 25)	(5,874)	-	(32,264)	-	(4,898)	-	62,264	1
	108,832	1	252,509	2	111,223	1	(49,063)	-
Other comprehensive income (loss) for the period, net of income tax	(2,494)	-	252,509	2	161,414	1	(49,063)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,592,145	13	$ 1,975,081	17	$ 3,123,991	13	$ 2,879,022	13
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ 1,584,195	13	$ 1,723,635	15	$ 2,946,865	12	$ 2,928,675	14
Non-controlling interests	10,444	-	(1,063)	-	15,712	-	(590)	-
	$ 1,594,639	13	$ 1,722,572	15	$ 2,962,577	12	$ 2,928,085	14
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ 1,562,767	13	$ 1,978,606	17	$ 3,100,407	13	$ 2,885,529	13
Non-controlling interests	29,378	-	(3,525)	-	23,584	-	(6,507)	-
	$ 1,592,145	13	$ 1,975,081	17	$ 3,123,991	13	$ 2,879,022	13

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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			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE (Note 26)								
Basic	$ 2.27		$ 2.47		$ 4.23		$ 4.20	
Diluted	$ 2.25		$ 2.46		$ 4.18		$ 4.18	

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

(With Deloitte & Touche review report dated July 27, 2018) (Concluded)

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														
	Issued Capital (Notes 23 and 27)					Retained Earnings (Note 23)				Other Equity (Note 23)					
	Share Capital	Advance Receipts for Ordinary Shares	Share Dividends to Be Distributed	Total	Capital Surplus (Notes 23 and 27)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non-controlling Interests (Notes 23 and 29)	Total Equity
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	$ 6,333,041	$ -	$ 633,074	$ 6,966,115	$ 6,301,882	$ 5,039,962	$ 85,204	$ 6,091,129	$ 11,216,295	$ (501,626)	$ 373,276	$ -	$ 24,355,942	$ 182,011	$ 24,537,953
BALANCE AT JANUARY 1, 2018	$ 6,970,325	$ 2,500	$ -	$ 6,972,825	$ 6,554,842	$ 5,039,962	$ 85,204	$ 9,297,896	$ 14,423,062	$ (463,479)	$ 93,824	$ -	$ 27,581,074	$ 179,366	$ 27,760,440
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	(34,002)	(34,002)	-	(93,824)	123,254	(4,572)	-	(4,572)
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	-	6,972,825	6,554,842	5,039,962	85,204	9,263,894	14,389,060	(463,479)	-	123,254	27,576,502	179,366	27,755,868
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	-	(4,600,414)	(4,600,414)	-	-	-	(4,600,414)	-	(4,600,414)
Recognition of employee share options by the Company	4,250	(1,630)	-	2,620	19,440	-	-	-	-	-	-	-	22,060	-	22,060
Compensation cost recognized for employee share options	-	-	-	-	182,766	-	-	-	-	-	-	-	182,766	-	182,766
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	-	2,091	-	-	-	-	-	-	-	2,091	-	2,091
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	2,290	-	-	-	-	-	-	-	2,290	(13,568)	(11,278)
Recognized for employee by subsidiaries	-	-	-	-	(757)	-	-	-	-	-	-	-	(757)	842	85
Net profit for the six months ended June 30, 2018	-	-	-	-	-	-	-	2,946,865	2,946,865	-	-	-	2,946,865	15,712	2,962,577
Other comprehensive income for six months ended June 30, 2018	-	-	-	-	-	-	-	2,247	2,247	103,351	-	47,944	153,542	7,872	161,414
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	-	2,949,112	2,949,112	103,351	-	47,944	3,100,407	23,584	3,123,991
Associates disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	(6,977)	(6,977)	-	-	6,977	-	-	-
BALANCE AT JUNE 30, 2018	$ 6,974,575	$ 870	$ -	$ 6,975,445	$ 6,760,672	$ 5,655,613	$ 369,655	$ 6,705,513	$ 12,730,781	$ (360,128)	$ -	$ 178,175	$ 26,284,945	$ 190,224	$ 26,475,169

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

(With Deloitte & Touche review report dated July 27, 2018)

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	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,770,022	$ 3,638,496
Adjustments for:		
Depreciation expenses	287,503	295,442
Amortization expenses	76,610	102,892
Amortization expenses for prepayments of lease obligations	4,500	4,335
Expected credit impairment loss	24,907	-
Impairment loss reversed on trade receivables	-	(9,023)
Net gain on financial assets or liabilities at fair value through profit or loss	(28,641)	(58,295)
Compensation costs of employee share options	182,766	222,518
Finance costs	2,487	6,871
Interest income	(18,617)	(8,309)
Dividend income	(853)	(1,383)
Share of profit of associates accounted for using the equity method	(47,856)	(190,313)
Loss (gain) on disposal of property, plant and equipment	4,163	(65,816)
Gain on disposal of investments	(2,618)	(123,479)
Changes in operating assets and liabilities		
Financial assets held for trading	(2,095,078)	81,933
Notes receivable	(8,096)	(148,634)
Trade receivables	(468,187)	(113,671)
Trade receivables from related parties	(23,798)	1,049
Other receivables	37,015	1,992
Inventories	(926,698)	(341,741)
Other current assets	(128,211)	(53,483)
Notes payable and trade payables	950,749	(815,715)
Net defined benefit liabilities	(1,172)	(1,001)
Other payables	(49,081)	(635,531)
Short-term warranty provisions	7,196	7,755
Other current liabilities	68,749	(19,325)
Other non-current liabilities	(1,235)	(1,886)
Cash generated from operations	1,616,526	1,775,678
Interest received	18,617	8,309
Dividends received	853	1,383
Interest paid	(2,259)	(5,704)
Income tax paid	(513,021)	(476,341)
Net cash generated from operating activities	1,120,716	1,303,325

(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	
	2018	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets amortizes at cost	$ (40)	$ -
Purchase of available-for-sale financial assets	-	(3,867,233)
Proceeds from sale of available-for-sale financial assets	-	1,934,569
Proceeds from sale of debt investments with no active market	-	17,920
Purchase of financial assets measured at cost	-	(67,290)
Acquisition of associates	(760,352)	(75,000)
Net cash flow on the acquisition of subsidiaries	(60,322)	(118,847)
Dividends received from associates	-	62
Payments for property, plant and equipment	(288,274)	(144,246)
Proceeds from disposal of property, plant and equipment	53,908	78,813
Decrease in refundable deposits	611	15,432
Payments for intangible assets	(47,911)	(55,146)
Decrease in prepayments for business facilities	17,378	10,489
Net cash used in investing activities	(1,085,002)	(2,270,477)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(91,260)
Repayments of long-term borrowings	(12,365)	(9,676)
Decrease in guarantee deposits received	-	(499)
Exercise of employee share options	22,060	20,922
Decrease in non-controlling interests	(18,450)	-
Net cash used in financing activities	(8,755)	(80,513)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	63,683	(220,944)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,642	(1,268,609)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,204,219	4,637,577
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 5,294,861	$ 3,368,968

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

(With Deloitte & Touche review report dated July 27, 2018) (Concluded)

1. GENERAL INFORMATION

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

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

To improve the entire operating efficiency of 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 indirectly 95.51%-owned subsidiary through a wholly-owned subsidiary, Advantech Corporate Investment. The effective merger date was July 27, 2014. As the surviving entity, the Company assumed all assets and liabilities of Netstar.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on July 27, 2018.

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 FSC.

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

   1) 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 amendments to IAS 28 clarify that when the Group (a non-investment entity) applies the equity method to account for its investment in an associate that is an investment entity, the Group may elect to retain the fair value of the investment interests in subsidiaries of the investment entity associate. The election should be made separately for each investment entity associate, at the later of the date that (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.

2) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information related to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 5,204,219	$ 5,204,219	-
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	5,084	5,084	-
Mutual funds	Held-for-trading	Mandatorily at FVTPL	2,794,858	2,794,858	-
Equity securities	Held-for-trading	Mandatorily at FVTPL	101,325	101,325	-
	Held-for-trading	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	197,579	197,579	a)
	Available-for-sale	Mandatorily at FVTPL	229,381	229,381	a)
	Available-for-sale	FVTOCI - equity instruments	1,430,854	1,430,854	a)
	Financial assets measured at cost	FVTOCI - equity instruments	78,518	78,518	a)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	38,908	38,908	b)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	7,941,176	7,941,176	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 3,098,846						
Add: Reclassification from available-for-sale (IAS 39) required reclassification							
Fair value option elected at January 1, 2018	-	$ 229,381	$ -				
Less: Reclassification to FVTOCI - equity instruments (IFRS 9)	-	(197,579)	-				
	3,098,846	31,802	-	$ 3,130,648	$ 87,115	$ (87,115)	a)
FVTOCI							
Equity instruments	-						
Add: Reclassification from FVTPL (IAS 39) (including fair value option revoked)	-	197,579	-				
Add: Reclassification from available-for-sale (IAS 39)	-	1,430,854	-				
Add: Financial assets measured at cost (IAS 39)	-	78,518	-				
	-	1,706,951	-	1,706,951	(128,168)	128,168	a)
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	13,184,303	-	13,184,303	-	-	b), c)
	$ 3,098,846	$ 14,923,056	$ -	$ 18,021,902	$ (41,053)	$ 41,053	

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Investments accounted for using the equity method	$ 1,349,735	$ (4,572)	$ 1,345,163	$ 7,051	$ (11,623)	d)

a) The Group elected to classify all of its investments in equity securities previously classified as available-for-sale and at FVTPL under IAS 39 as at FVTPL and FVTOCI under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets was reclassified to retained earnings and to other equity - unrealized gain (loss) on financial assets at FVTOCI in the amount of $41,053 thousand.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9 because, on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

d) As a result of retrospective application of IFRS 9 by associates, there was a decrease in investments accounted for using the equity method of $4,572 thousand, a decrease in other equity - unrealized gain (loss) on financial assets at FVTOCI of $11,623 thousand and an increase in retained earnings of $7,051 thousand on January 1, 2018.

3) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments 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 good or service individually rather than to transfer a combined output).

The Group provides service-type warranties in addition to assurance that its products comply with agreed-upon specifications. IFRS 15 requires such service to be considered as a performance obligation. Transaction prices allocated to service-type warranties are recognized as revenue, and the related costs are recognized when such warranty services are performed.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables and deferred revenue was recognized when revenue was recognized for the contract under IAS 18.

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

For all contract modifications that occurred on or before December 31, 2017, the Group did not apply the requirements in IFRS 15 individually to each of the modifications, and the group identified the performance obligations and determined and allocated transaction prices in a manner that reflected the aggregate effect of all modifications that occurred on or before December 31, 2017. This reduced the complexity and cost of retrospective application, and resulted in financial information that closely aligns with the financial information that would be available under IFRS 15 without the expedient.

4) 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 amendments also stipulate 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 a deferred tax asset, the Group currently assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit; The Group applied the above amendments retrospectively in 2018.

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 applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

b. 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 by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

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

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

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

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

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

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

For long-term interests that, in substance, form part of the Group's net investment in an associate and are governed by IFRS 9, the Group shall, based on the facts and circumstances that exist on January 1, 2019, perform an assessment of the classification under IFRS 9 applied retrospectively.

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

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

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019 or restate prior periods if, and only if, it is possible without the use of hindsight.

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group continue assessing other possible impacts that the application of the aforementioned amendments and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

c. Basis of consolidation

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

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

Before 2018, the fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of available-for-sale financial assets or financial assets at fair value through profit or loss or, when applicable, the cost on initial recognition of an investment in an associate. From 2018, the fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss or, when applicable, the cost on initial recognition of an investment in an associate.

See Note 15 and Table 7 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

d. Other significant accounting policies

Except for the related accounting policies of financial instruments and revenue recognition and the following, for the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2017.

1) Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

2) Financial instruments

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

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

a) Financial assets

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

i. Measurement categories

<u>2018</u>

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

i) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial assets. Fair value is determined in the manner described in Note 30.

ii) Financial assets at amortized cost

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

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

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

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

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

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

- Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

iii) Investments in equity instruments at FVTOCI

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

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

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

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading or designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents and debt investments with no active market) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

ii. Impairment of financial assets

<u>2018</u>

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

iii. Derecognition of financial assets

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

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

b) Equity instruments

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

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

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c) Financial liabilities

i. Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or is designated as at fair value through profit or loss. Fair value is determined in the manner described in Note 30.

ii. Derecognition of financial liabilities

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

d) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to interest rate and foreign exchange rate risks.

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

3) Revenue recognition

<u>Contracts applicable to IFRS 15</u>

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

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

a) Revenue from sale of goods

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

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

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

b) Revenue from rendering services

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

<u>Contracts prior to 2018 not retrospectively application of IFRS 15</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

a) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

i. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

ii. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

iii. The amount of revenue can be measured reliably;

iv. It is probable that the economic benefits associated with the transaction will flow to the Group; and

v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

b) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

c) Dividends and interest income

Dividends income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

4) 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.

5) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effects of the changes in the tax rate related to transactions recognized in profit or loss are included in the estimation of the average annual income tax rate, consequently spreading the effect throughout the interim periods.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Write-down of inventories

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

b. Significant influence over associates

As Note 16 Investments accounted for using the equity method describes that several companies are associates of the Group although the Group only holds less than 20% of the voting power in each of these companies and the Group has significant influence over these companies by virtue of the right to appoint and remove directors from the board of directors of these companies.

c. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	$ 69,429	$ 70,453	$ 69,023
Checking accounts and demand deposits	4,900,957	4,942,396	2,958,925
Cash equivalents (time deposits with original maturities less than 3 months)	324,475	191,370	341,020
	$ 5,294,861	$ 5,204,219	$ 3,368,968

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets at FVTPL - current			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	$ -	$ 5,084	$ 1,109
Non-derivative financial assets			
Domestic quoted shares	-	289,570	115,296
Foreign quoted shares	-	9,334	-
Mutual funds	-	2,794,858	-
	-	3,098,846	116,405
Financial assets mandatorily at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	10,992	-	-
Non-derivative financial assets			
Domestic quoted shares	199,735	-	-
Foreign quoted shares	10,285	-	-
Mutual funds	4,942,393	-	-
	5,163,405	-	-
	$ 5,163,405	$ 3,098,846	$ 116,405
Financial liabilities at FVTPL - current			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	$ -	$ 6,226	$ 37,246
Financial assets mandatorily at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	4,637	-	-
	$ 4,637	$ 6,226	$ 37,246

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

	Currency	Maturity Date	Notional Amount (In Thousands)
June 30, 2018			
Sell	EUR/NTD	2018.07-2018.11	EUR12,500/NTD449,644
	EUR/USD	2018.07-2018.08	EUR500/USD633
	USD/NTD	2018.07-2018.08	USD4,133/NTD123,113
	JPY/NTD	2018.07-2018.11	JPY360,000/NTD98,047
	RMB/NTD	2018.07-2018.09	CNY57,000/NTD263,162
December 31, 2017			
Sell	EUR/NTD	2018.01-2018.05	EUR14,000/NTD499,225
	EUR/USD	2018.01-2018.04	EUR1,500/USD1,805
	JPY/NTD	2018.01-2018.05	JPY500,000/NTD134,549
	RMB/NTD	2018.01-2018.03	RMB77,000/NTD346,212
June 30, 2017			
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

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	June 30, 2018
Non-current	
Investments in equity instruments at FVTOCI	$ 1,753,637

Investments in equity instruments at FVTOCI:

	June 30, 2018
Non-current	
Domestic investments	
Listed shares and emerging market shares	
Ordinary shares - ASUSTek Computer Inc.	$ 1,319,940
Ordinary shares - Allied Circuit Co., Ltd.	350,485
Unlisted shares	
Ordinary shares - BroadTec System Inc.	4,797
Ordinary shares - BiosenseTek Corp.	173
Ordinary shares - Juguar Technology	5,824
Ordinary shares - Taiwan DSC PV Ltd.	383
	1,681,602
Foreign investments	
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	68,895
JamaPro Co., Ltd.	3,140
	72,035
	$ 1,753,637

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 10 and 11 for information related to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	June 30, 2018
Current	
Domestic investments	
Time deposits with original maturity of more than 3 months	$ 37,808

The time deposits with original maturities of more than 3 months were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information related to their reclassification and comparative information for 2018.

For information on pledged debt investments with financial assets at amortized cost, refer to Note 32.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	June 30, 2017
Current		
Domestic investments		
Mutual funds	$ -	$ 4,832,726
Quoted shares	219,000	605,247
Foreign investments		
Quoted shares	10,381	7,899
	$ 229,381	$ 5,445,872
Non-current		
Domestic investments		
Quoted shares	$ 1,419,479	$ 1,530,865
Unlisted shares	11,375	9,375
	$ 1,430,854	$ 1,540,240

11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	June 30, 2017
Non-current		
Private equity	$ 78,518	$ 67,290
Classification according to financial asset measurement categories		
Available-for-sale financial assets	$ 78,518	$ 67,290

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 cannot be assessed reasonably. Therefore, the management of the Group determined that the fair value of the private equity was not reliably measured.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017	June 30, 2017
Time deposits with original maturities of more than 3 months	$ 38,908	$ 46,453

For information on pledged debt investments with no active market, refer to Note 32.

13. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable - operating	$ 1,263,877	$ 1,255,781	$ 1,113,715
Trade receivables			
Amortized cost			
Gross carrying amount	$ 7,162,047	$ 6,686,485	$ 6,619,084
Less: Allowance for impairment loss	(105,943)	(90,455)	(90,297)
	$ 7,056,104	$ 6,596,030	$ 6,528,787

Trade Receivables

For the six months ended June 30, 2018

At amortized cost

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's customer base.

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

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

June 30, 2018

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

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

	For the Six Months Ended June 30, 2018
Balance at January 1, 2018 - IAS 39	$ 90,455
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 - IFRS 9	90,455
Add: Net remeasurement of loss allowance(a)	24,907
Less: Amounts written off (b)	(9,326)
Foreign exchange gains and losses	(93)
Balance at June 30, 2018	$ 105,943

a. The increase in loss allowance of $24,907 thousand resulted from origination of new trade receivables net of those settled of $475,562 thousand.

b. The Group wrote off trade receivables and related loss allowance of $9,326 thousand due to the fact that the customers' trade receivables have been aged more than 2 years and the legal attest letters were served without receivables collected.

For the six months ended June 30, 2017

The Group applied the same credit policy in 2018 and 2017. 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 were 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 some 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 no 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:

	December 31, 2017	June 30, 2017
Not overdue	$ 5,663,891	$ 5,800,725
Overdue		
1 to 90 days	924,551	763,373
91 to 360 days	64,669	16,813
Over 360 days	33,374	38,173
	$ 6,686,485	$ 6,619,084

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

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

	December 31, 2017	June 30, 2017
1 to 30 days	$ 763,822	$ 642,052
31 to 60 days	117,935	79,947
61 to 90 days	42,794	41,374
	$ 924,551	$ 763,373

The above aging schedule was based on the number of past due days from the end of the 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, 2017	$ 13,686	$ 87,668	$ 101,354
Add: 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	-	(833)	(833)
Balance at June 30, 2017	$ 13,871	$ 76,426	$ 90,297

14. INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	$ 3,734,627	$ 3,122,276	$ 2,384,298
Work in progress	1,499,466	1,235,097	1,220,343
Finished goods	1,148,048	1,335,817	1,737,770
Inventories in transit	791,445	549,061	627,023
	$ 7,173,586	$ 6,242,251	$ 5,969,434

The cost of inventories recognized as cost of goods sold for the three months and the six months ended June 30, 2018 and 2017 was $7,754,730 thousand, $6,908,303 thousand, $14,675,095 thousand and $12,810,758 thousand, respectively.

The costs of inventories were decreased by $646,851 thousand, $577,528 thousand and $629,954 thousand as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively, when stated at the lower of cost or net realizable value.

15. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

			Proportion of Ownership (%)			
Investor	Investee	Nature of Activities	June 30, 2018	December 31, 2017	June 30, 2017	Remark
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 services	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
	AIN	Sale of industrial automation products	99.99	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	100.00	a
	LNC	Production and sale of machines with computerized numerical controls	80.06	81.17	81.17	a
	AMX	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	BEMC	Sale of industrial network communications systems	60.00	60.00	60.00	
	AiST	Design, develop and sale of intelligent service	100.00	100.00	100.00	a
	AKST	Production and sale of intelligent medical displays	36.00	36.00	36.00	a, b
	ATH	Production of computers	51.00	-	-	a, c
	AVN	Sale of industrial automation products	60.00	-	-	a, g
AKR	AKST	Production and sale of intelligent medical displays	24.00	24.00	24.00	a, b
Advantech Corporate Investment	Cermate	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jhih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	-	-	a, d
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	-	-	a, d
ATC	ATC (HK)	Investment and management services	100.00	100.00	100.00	
ATC (HK)	AKMC	Production and sale of components of industrial automation products	100.00	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) June 30, 2018	December 31, 2017	June 30, 2017	Remark
	Advanixs Kun Shan Corp.	Production and sale of industrial automation products	-	100.00	100.00	i
AAC (BVI)	ANA	Sale and fabrication of industrial automation products	100.00	100.00	100.00	
	AAC (HK)	Investment and management service	100.00	100.00	100.00	
	SIoT (Cayman)	Design, development and sale of IoT intelligent system service	100.00	-	-	a, h
ANA	BEMC	Sale of industrial network communications	40.00	40.00	40.00	
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
	AXA	Development and production of software products	-	100.00	100.00	a, e
SIoT (Cayman)	SIoT (China)	Technology development consulting and services in the field of intelligent technology	99.00	-	-	a, h
ACN	Hangzhou Advantofine Automation Co., Ltd.	Processing and sale of industrial automation products	-	100.00	100.00	f
	AXA	Development and production of software products	100.00	-	-	a, e
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
ASG	ATH	Production of computers	49.00	51.00	51.00	a, c
	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
LNC	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	
Avtek	B+B	General investment	100.00	100.00	100.00	
B+B	BBI	Sale of industrial network communications systems	100.00	100.00	100.00	
	Quatech	Sale of industrial network communications systems	100.00	100.00	100.00	
	IMC	Sale of industrial network communications systems	100.00	100.00	100.00	
BBI	B&B Electronics	Sale of industrial network communications systems	100.00	100.00	100.00	
	B+B (CZ)	Manufacturing of cellular and automation solutions	99.99	99.99	99.99	
	Conel Automation	Sale of industrial network communications systems	1.00	1.00	1.00	
	B&B DMCC	Sale of industrial network communications systems	100.00	100.00	100.00	
B&B Electronics	B+B (CZ)	Manufacturing of cellular and automation solutions	0.01	0.01	0.01	
B+B (CZ)	Conel Automation	Sale of industrial network communications systems	99.00	99.00	99.00	

(Concluded)

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

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

Remark c: In the first quarter of 2018, the Group acquired 49% of the equity of ATH, which led the Group's equity investment in ATH increase from 51% to 100%. After the Group increased capital and adjusted its investment structure in ATH, the Company and ASG held 51% and 49% of the equity of ATH, respectively.

Remark d: In the first quarter of 2018, Advantech Corporate Investment founded Huan Yan, Jhih-Lian Co., Ltd. and Yun Yan, Wu-Lian Co., Ltd. and acquired 50% of the equity in each of these subsidiaries.

Remark e: In the first quarter of 2018, the Group adjusted its investment structure and ACN directly held 100% of the equity of AXA.

Remark f: In the first quarter of 2018, Hangzhou Advantofine Automation Co., Ltd. was liquidated.

Remark g: In the second quarter of 2018, the Group acquired 60% of the equity of AVN.

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

Remark i: In the second quarter of 2018, Advanixs Kun Shan Corp. were merged by AKMC. Advanixs Kun Shan Corp. ceased to exist and is currently carrying out liquidation procedures.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	June 30, 2018	December 31, 2017	June 30, 2017
Associates that are not individually material			
Listed companies			
Axiomtek Co., Ltd. (“Axiomtek”)	$ 563,971	$ 622,604	$ 590,480
Winmate Inc. (“Winmate”)	523,160	544,960	-
AzureWare Technologies, Inc. (“AzureWare”)	538,289	-	-
Nippon RAD Inc. (Nippon RAD)	297,647	-	-
Unlisted companies			
AIMobile Co., Ltd. (“AIMobile”)	77,878	84,140	92,935
Deneng Scientific Research Co., Ltd. (“Deneng”)	14,438	15,457	15,854
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	10,742	10,447	10,101
CDIB Innovation Accelerator Co., Ltd. (“CDIB”)	72,501	72,127	75,000
iLink Co., Ltd.	10,067	-	-
	$ 2,108,693	$ 1,349,735	$ 784,370

In the second and fourth quarters of 2017, the Group paid cash totaling $75,000 thousand and $540,000 thousand for 20% of the equity of CDIB Innovation Accelerator Co., Ltd. and 16.62% of the equity of Winmate, respectively. The Group had significant influence over CDIB Innovation Accelerator Co., Ltd. and Winmate.

In the first quarter of 2018, the Group subscribed for 18.42% of the equity of AzureWave Technologies, Inc. through a private placement with the approval of the board of directors. The Group has significant influence over AzureWave Technologies, Inc.

In the second quarter of 2018, the Group paid cash of $299,960 thousand for 19% equity of Nippon RAD. The Group had significant influence over Nippon RAD.

In the second quarter of 2018, the Group paid cash of $10,067 thousand for 25% equity of iLink Co., Ltd. The Group had significant influence over iLink Co., Ltd.

In response to the application of IFRS 9 in 2018, Winmate and Axiomtek applied retroactively on January 1, 2018 and the Group recognized related changes according to ratio of shareholding and thus increased its retained earnings by $7,051 thousand and decreased unrealized gain on financial assets at fair value through other comprehensive income by $11,623 thousand.

Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
The Group's share of:				
Profit from continuing operations	$ 26,349	$ 190,922	$ 47,856	$ 190,313
Other comprehensive income (loss)	5,618	2,401	3,955	(5,969)
Total comprehensive income (loss) for the period	$ 31,967	$ 193,323	$ 51,811	$ 184,344

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
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 combinations	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 foreign currency exchange differences	(8,626)	(84,072)	(16,471)	(14,442)	(27,234)	108	(150,737)
Balance at June 30, 2017	$ 2,963,259	$ 7,124,462	$ 1,668,564	$ 821,898	$ 1,662,851	$ 15,682	$ 14,256,716
Accumulated depreciation and impairment							
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 combinations	-	741	15,453	4,671	3,948	-	24,813
Reclassifications	-	3	(2)	(6,747)	(98)	-	(6,844)
Effect of foreign currency exchange differences	-	(20,809)	(9,871)	(10,929)	(15,522)	-	(57,131)
Balance at June 30, 2017	$ -	$ 1,300,390	$ 1,206,963	$ 631,075	$ 1,120,378	$ -	$ 4,258,806
Carrying amounts at June 30, 2017	$ 2,963,259	$ 5,824,072	$ 461,601	$ 190,823	$ 542,473	$ 15,682	$ 9,997,910
Cost							
Balance at January 1, 2018	$ 2,943,980	$ 7,274,546	$ 1,634,925	$ 830,623	$ 1,729,582	$ 4,257	$ 14,417,913
Additions	-	11,739	40,503	28,472	64,114	143,446	288,274
Disposals	-	(40,390)	(59,114)	(15,346)	(33,055)	(7)	(147,912)
Acquisitions through business combinations	-	-	57	524	1,483	-	2,064
Reclassifications	-	-	8,638	(23,005)	3,929	(143,357)	(153,795)
Effect of foreign currency exchange differences	4,407	20,627	2,088	3,399	7,266	(869)	36,918
Balance at June 30, 2018	$ 2,948,387	$ 7,266,522	$ 1,627,097	$ 824,667	$ 1,773,319	$ 3,470	$ 14,443,462
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 1,414,696	$ 1,186,494	$ 651,244	$ 1,198,147	$ -	$ 4,450,581
Disposals	-	(102)	(47,220)	(15,085)	(27,434)	-	(89,841)
Depreciation expenses	-	100,558	53,973	38,315	94,657	-	287,503
Acquisitions through business combinations	-	-	5	151	738	-	894
Reclassifications	-	-	(50,763)	(26,587)	(2,203)	-	(79,553)
Effect of foreign currency exchange differences	-	5,443	1,109	3,985	4,231	-	14,768
Balance at June 30, 2018	$ -	$ 1,520,595	$ 1,143,598	$ 652,023	$ 1,268,136	$ -	$ 4,584,352
Carrying amounts at June 30, 2018	$ 2,948,387	$ 5,745,927	$ 483,499	$ 172,644	$ 505,183	$ 3,470	$ 9,859,110

Except for depreciation recognized, the Group did not have significant addition, disposal, or impairment of property, plant and equipment during the six months ended June 30, 2018 and 2017. The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

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

Property, plant and equipment pledged as collateral for borrowings are set out in Note 32.

18. GOODWILL

	For the Six Months Ended June 30	
	2018	**2017**
Cost		
Balance at January 1	$ 2,828,958	$ 2,845,831
Additional amounts recognized from business combinations occurring during the year (Note 28)	65,207	79,713
Adjustments for goodwill after acquisition (Note 28)	-	18,075
Effect of foreign currency exchange differences	32,348	(91,531)
Balance at June 30	$ 2,926,513	$ 2,852,088
Accumulated impairment losses		
Balance at January 1	$ (101,409)	$ -
Effect of foreign currency exchange differences	3,621	-
Balance at June 30	$ (97,788)	$ -
Carry amount at June 30	$ 2,828,725	$ 2,852,088

The Group acquired AKST in January 2017. In the second quarter of 2017, after obtaining the audited financial statements of AKST for the year ended December 31, 2016, the Group paid the remaining installment of US$600 thousand and adjusted the goodwill on the acquisition based on those audited financial statements. The actual sales growth post the business combination of AKST, a subsidiary of the Company, did not turn out as expected; AKST had continuous losses for the year ended December 31, 2017. An impairment loss for goodwill amounted to $97,788 thousand and was recognized for the year ended December 31, 2017.

19. PREPAYMENTS FOR LEASES

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets (included in other current assets)	$ 8,908	$ 8,854	$ 8,701
Non-current assets	310,175	312,708	311,648
	$ 319,083	$ 321,562	$ 320,349

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

20. BORROWINGS

a. Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Secured borrowings			
Bank loans	$ 8,100	$ 8,400	$ -
Unsecured borrowings			
Line of credit borrowings	-	-	373,140
	$ 8,100	$ 8,400	$ 373,140

The range of weighted average effective interest rates on bank loans was 2.87%, 2.87% and 1.74-2.87% per annum as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

b. Long-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Secured borrowings			
Bank loans	$ 38,788	$ 50,258	$ 34,200
Other borrowings	58,944	63,459	63,450
Unsecured borrowings			
Line of credit borrowings	-	-	25,063
	97,732	113,717	122,713
Less: Current portions	(16,808)	-	(13,057)
Long-term borrowings	$ 80,924	$ 113,717	$ 109,656

The long-term borrowings are borrowings of the subsidiary AKST. The effective interest rate of line of credit and secured borrowings was 1.60%-2.75% per annum as of June 30, 2018, December 31, 2017 and June 30, 2017.

Other borrowings are loans from the government. The effective interest rate was 2.91%-3.16% per annum as of June 30, 2018, December 31, 2017 and June 30, 2017.

With demand of borrowings, the Group pledged time deposits, freehold land and buildings and payment guarantee (refer to Note 32).

21. OTHER LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Other payables			
Payables for salaries or bonuses	$ 2,186,409	$ 2,324,441	$ 2,095,393
Payables for employee benefits	188,042	180,617	171,641
Payables for royalties	177,226	118,347	177,732
Others (Note)	1,024,664	1,001,305	919,020
	$ 3,576,341	$ 3,624,710	$ 3,363,786

Note: Including marketing expenses, and freight expenses.

22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group’s defined benefit retirement plans $2,825 thousand and $2,502 thousand for the six months ended June 30, 2018 and 2017, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

23. EQUITY

a. Share capital

Ordinary shares

	June 30, 2018	December 31, 2017	June 30, 2017
Number of shares authorized (in thousands)	800,000	800,000	800,000
Shares authorized	$ 8,000,000	$ 8,000,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	697,545	697,283	696,612
Shares issued	$ 6,975,445	$ 6,972,825	$ 6,966,115

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

The changes in shares are due to employees’ exercise of their employee share options.

b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
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 subsidiaries' net assets during actual disposal or acquisition	20,134	17,844	17,844
May be used to offset a deficit only			
Changes in percentage of ownership interest in subsidiaries (2)	4,246	5,003	4,246
Employee share options	1,323,645	1,241,557	1,129,710
Employees' share compensation	78,614	78,614	78,614
Not note be used for any purpose			
Share of changes in capital surplus of associates	27,376	25,285	24,989
Employee share options	977,920	857,802	717,742
	$ 6,760,672	$ 6,554,842	$ 6,301,882

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in a subsidiary resulting from equity transactions other than actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 24, d.

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

An appropriation of earnings to a legal reserve 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 deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings, for 2017 and 2016 were approved in the shareholder's meetings on May 24, 2018 and May 26, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 615,651	$ 566,686	$ -	$ -
Special reserve	284,451	85,204	-	-
Cash dividends	4,600,414	3,988,367	6.6	6.3
Share dividends	-	633,074	-	1.0

d. Special reserves

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	$ 85,204	$ -
Appropriations in respect of Debits to other equity items	284,451	85,204
Balance at June 30	$ 369,655	$ 85,204

e. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	$ (463,479)	$ (197,633)
Effect of change in tax rate	16,752	-
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign entities	84,924	(299,039)
Share of those of associates accounted for using the equity method	1,675	(9,954)
Other comprehensive income recognized for the period	103,351	(303,993)
Balance at June 30	$ (360,128)	$ (501,626)

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

Balance at January 1, 2017	$ 112,429
Recognized during the period	
Unrealized gain arising on revaluation of available-for-sale financial assets	384,326
Reclassification adjustment	
Disposal of available-for-sale financial assets	(123,479)
Other comprehensive income recognized for the period	260,847
Balance at June 30, 2017	$ 373,276

3) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Six Months Ended June 30, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	123,254
Balance at January 1 per IFRS 9	123,254
Recognized during the period	
Unrealized gain - equity instruments	46,203
Share of those of associates accounted for using the equity method	1,741
	47,944
Other comprehensive income recognized for the period	6,977
Balance at June 30	$ 178,175

f. Non-controlling interests

	For the Six Months Ended June 30	
	2018	**2017**
Balance at January 1	$ 179,366	$ 173,315
Share of profit (loss) for the period	15,712	(590)
Other comprehensive income recognized for the period		
Exchange difference arising on translating the financial statements of foreign entities	7,872	(5,917)
Acquisition of non-controlling interest in subsidiaries (Note 29)	1,876	-
Disposal of non-controlling interests in subsidiaries (Note 29)	(22,701)	
Non-controlling interests arising from acquisition of subsidiaries AKST (Note 28)	-	15,203
Non-controlling interests arising from acquisition of subsidiaries AVN (Note 28)	7,257	-
Equity instruments held by the employees of subsidiaries	842	-
Balance at June 30	$ 190,224	$ 182,011

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest on bank loans	$ 307	$ 1,628	$ 500	$ 4,189
Others	958	2,526	1,987	2,682
	$ 1,265	$ 4,154	$ 2,487	$ 6,871

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 143,326	$ 145,800	$ 287,503	$ 295,442
Intangible assets	34,111	51,629	76,610	102,892
	$ 177,437	$ 197,429	$ 364,113	$ 398,334
An analysis of depreciation by function				
Operating costs	$ 32,488	$ 36,780	$ 67,418	$ 73,751
Operating expenses	110,838	109,020	220,085	221,691
	$ 143,326	$ 145,800	$ 287,503	$ 295,492
An analysis of amortization by function				
Operating costs	$ 1,697	$ 1,254	$ 2,611	$ 2,498
Selling and market expenses	10,027	37	26,918	67
General and administrative expenses	14,746	42,136	31,787	84,498
Research and development expenses	7,641	8,202	15,294	15,829
	$ 34,111	$ 51,629	$ 76,610	$ 102,892

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term benefits	$ 2,181,795	$ 1,937,054	$ 4,231,491	$ 3,800,850
Post-employment benefits				
Defined contribution plans	89,157	62,002	165,945	139,440
Defined benefit plans (Note 22)	1,413	1,252	2,825	2,502
	90,570	63,254	168,770	141,942

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Share-based payments				
Equity-settled	$ 83,747	$ 111,259	$ 182,766	$ 222,518
Other employee benefits	151,978	128,129	297,609	277,573
Total employee benefits expense	$ 2,508,090	$ 2,239,786	$ 4,880,636	$ 4,442,883
An analysis of employee benefits expense by function				
Operating costs	$ 537,490	$ 447,800	$ 1,030,208	$ 921,951
Operating expenses	1,970,600	1,791,986	3,850,428	3,520,932
	$ 2,508,090	$ 2,239,786	$ 4,880,636	$ 4,442,883

(Concluded)

d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at the rates of no less than 5% and no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months and six months ended June 30, 2018 and 2017, the employees' compensation and the remuneration of directors and supervisors were as follows.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Employees' compensation	$ 68,250	$ 60,750	$ 136,500	$ 121,500
Remuneration of directors	$ 2,650	$ 3,075	$ 5,300	$ 6,150

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

The appropriations of employees' compensation and remuneration of directors for 2017 and 2016 having been resolved by the board of directors on March 2, 2018 and March 6, 2017, respectively, were as below:

	For the Year Ended December 31	
	2017	2016
	Cash	Cash
Employees' compensation	$ 273,000	$ 243,000
Remuneration of directors	10,600	12,300

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Foreign exchange gains	$ 407,516	$ 259,268	$ 666,001	$ 513,255
Foreign exchange losses	(361,845)	(151,716)	(623,086)	(608,147)
	$ 45,671	$ 107,552	$ 42,915	$ (94,892)

25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
In respect of current period	$ 376,348	$ 371,824	$ 738,604	$ 665,133
Income tax on unappropriated earnings	31,746	36,556	31,746	36,556
Adjustments for prior periods	(78,985)	329	(110,885)	329
Deferred tax				
In respect of current period	56,449	8,296	61,090	8,393
Change in tax rate	48,333	-	86,890	-
Income tax expense recognized in loss	$ 433,891	$ 417,005	$ 807,445	$ 710,411

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax expense to be recognized in loss is $185,530 thousand, of which $98,640 thousand has not been recognized as of June 30, 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Deferred tax				
Change in tax rate	$ (15,335)	$ -	$ (18,879)	$ -
In respect of current period				
Translation of foreign operations	19,082	32,264	21,650	(62,264)
Income tax recognized in other comprehensive income	$ 3,747	$ 32,264	$ 2,771	$ (62,264)

c. Income tax assessments

The Company's tax returns through 2014 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Basic earnings per share	$ 2.27	$ 2.47	$ 4.23	$ 4.20
Diluted earnings per share	$ 2.25	$ 2.46	$ 4.18	$ 4.18

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	
	2018	**2017**	**2018**	**2017**
Earnings used in the computation of basic earnings per share	$ 1,584,195	$ 1,723,635	$ 2,946,865	$ 2,928,675
Earnings used in the computation of diluted earnings per share	$ 1,584,195	$ 1,723,635	$ 2,946,865	$ 2,928,675

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	697,490	696,519	697,447	696,519
Effect of potentially dilutive ordinary shares:				
Employee share options	5,379	3,281	5,551	3,315
Employees' compensation	340	478	1,536	828
Weighted average number of ordinary shares used in the computation of diluted earnings per share	703,209	700,278	704,534	700,662

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses 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.

27. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 6,500 options in 2016 and 5,000 options in 2014. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The holders of these shares include employees whom meet certain criteria set by the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 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.

Information on employee share options was as follows:

	For the Six Months Ended June 30			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	9,378	$ 95.15	10,269	$100.00
Options exercised	(262)	84.20	(220)	95.10
Balance at June 30	9,116	-	10,049	-
Options exercisable, end of the period	2,616	84.20	3,549	95.10
Weighted-average fair value of options granted (NT$)	$ -		$ -	

The weighted-average share price at the date of exercise of share options for the six months ended June 30, 2018 and 2017 were from NT$204 to NT$226 and NT$240 to NT$266, respectively.

Information about outstanding options as of June 30, 2018 and 2017 was as follows:

	For the Six Months Ended December 31			
	2018		2017	
	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2016	$ 88.5	3.95	$100.00	4.95
Issuance in 2014	84.2	2.13	95.10	3.13

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	4-5.5
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 5 years.

Compensation cost recognized was $182,766 thousand and $222,518 thousand for the six months ended June 30, 2018 and 2017, respectively.

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

Information on employee share options was as follows:

	For the Six Months Ended June 30, 2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	980	$ 20
Balance at June 30	980	20
Options exercisable, end of the period	-	
Weighted-average fair value of options granted (NT$)	-	

Information on outstanding options for the six months ended June 30, 2018 is as follows:

	2017
Exercise price (NT$)	$20
Weighted-average remaining contractual life (years)	3.17

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

	2017
Grant-date share price (NT$)	$16.11
Exercise price (NT$)	$20
Expected volatility	25.6-29.45%
Expected life (years)	2.5-4
Expected dividend yield	0%
Risk-free interest rate	0.64-0.74%

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Kostec Co., Ltd. ("AKST")	Production and sale of intelligent medical display	January 20, 2017	60	$ 120,592
Advantech Vietnam Technology Company Limited (AVN)	Sales of industrial automation products	June 6, 2018	60	$ 76,092

The Group's market strategy is to develop R&D technology of global medical displays. The Group acquired 60% of the share equity of Kostec Co., Ltd. ("AKST") to expand its global intelligent medical market. The Group acquired 60% of the share of Advantech Vietnam Technology Company Limited (AVN) in order to expand industrial automation products sales in Vietnam market.

b. Consideration transferred

	AVN	AKST
Cash	$ 76,092	$ 120,592
Contingent consideration arrangement (Notes 1 and 2)	-	30,420
	$ 76,092 (US$ 2,551 thousand)	$ 151,012 (US$ 4,800 thousand)

1) The Group acquired 60% in AVN in the second quarter.

2) The Group acquired 60% equity in AKST with a partial payment of $102,517 thousand in the first quarter of the year ended December 31, 2017. Subsequently, after obtaining the audited financial statements of AKST for the year ended December 31, 2016, the Group made an additional payment of $18,075 thousand (US$600 thousand) for the full amount of the investment. In addition, the Group adjusted the goodwill based on the identifiable net assets and liabilities in AKST's audited financial statements.

3) Under a contingent consideration arrangement, 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. Since the profits of AKST did not turn out as forecasted, the Group expects that there is no need to pay the contingent consideration.

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

	AVN	AKST
Current assets		
Cash and cash equivalents	$ 15,770	$ 1,745
Trade receivables	16,701	20,426
Inventories	4,637	30,457
Debt investments with no active market - current	-	54,324
Other current assets	615	2,877
Non-current assets		
Plant and equipment	1,170	84,672
Intangible assets	70	9,921
Deferred tax assets	-	4,207
Other non-current assets	354	926
Current liabilities		
Short-term borrowings	-	(8,100)
Trade and other payables	(20,302)	(26,748)
Current portion of long-term borrowings	-	(22,733)
Other current liabilities	(873)	(1,646)
Non-current liabilities		
Long-term borrowings	-	(109,656)
Deferred tax liabilities	-	(2,665)
	$ 18,142	$ 38,007

d. Non-controlling interests

The non-controlling interest (40% ownership interest in AVN and AKST) recognized at the acquisition date was measured by reference to the identifiable net assets of the non-controlling interest and amounted to $7,257 thousand and $15,203 thousand, respectively.

e. Goodwill recognized on acquisitions

	AVN	AKST
Consideration transferred	$ 76,092	$ 120,592
Less: Fair value of identifiable net assets acquired	(10,885)	(22,804)
Goodwill recognized on acquisitions	$ 65,207	$ 97,788

The goodwill recognized in the acquisitions of ANV and AKST mainly represents the control premium included in the costs of the combinations. 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 workforces of AVN and AKST. 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 acquisitions of subsidiaries

	AVN	AKST
Consideration paid in cash	$ 76,092	$ 120,592
Less: Cash and cash equivalent balances acquired	(15,770)	(1,745)
	$ 60,322	$ 118,847

g. Impact of acquisitions on the results of the Group

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

	For the Six Months Ended June 30	
	2018	**2017**
	AVN	**AKST**
Revenue	$ 21,019	$ 64,997
Profit (Loss)	$ 680	$ (31,391)

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the first quarter of 2018, the Group disposed 1.11% equity of LNC, which led the Group's equity investment in the above subsidiary decreased from 81.17% to 80.06%.

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

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

	For the Six Months Ended June 30, 2018		
	ATH	**LNC**	**Total**
Cash consideration received (paid)	$ (21,926)	$ 3,391	$ (18,535)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	22,701	(1,876)	20,825
Differences recognized from equity transactions	$ 775	$ 1,515	$ 2,290
Line items adjusted for equity transactions			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ 775	$ 1,515	$ 2,290

30. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

June 30, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 5,084	$ -	$ 5,084
Non-derivative financial assets held for trading	298,904	-	-	298,904
Mutual funds	2,794,858	-	-	2,794,858
	$ 3,093,762	$ 5,084	$ -	$ 3,098,846
Available-for-sale financial assets				
Equity securities				
Securities listed in ROC	$ 1,638,479	$ -	$ -	$ 1,638,479
Unlisted securities - ROC	-	-	11,375	11,375
Securities listed in other countries	10,381	-	-	10,381
	$ 1,648,860	$ -	$ 11,375	$ 1,660,235
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 6,226	$ -	$ 6,226

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	115,296	-	-	115,296
	$ 115,296	$ 1,109	$ -	$ 116,405
Available-for-sale financial assets				
Equity securities				
Securities listed in ROC	$ 2,136,112	$ -	$ -	$ 2,136,112
Unlisted securities - ROC	-	-	9,375	9,375
Unlisted securities in other countries	7,899	-	-	7,899
Mutual funds	4,832,726	-	-	4,832,726
	$ 6,976,737	$ -	$ 9,375	$ 6,986,112
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 37,246	$ -	$ 37,246

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

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

For the six months ended June 30, 2018

	Financial Assets at Fair Value Through Other Comprehensive Income	
	Equity Instruments	Total
Financial assets		
Balance at January 1, 2018	$ -	$ -
Reclassification	89,893	89,893
Recognized in other comprehensive income (included in unrealized loss on financial assets at FVTOCI)	(6,681)	(6,681)
Balance at June 30, 2018	$ 83,212	$ 83,212

For the six months ended June 30, 2017

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

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Derivatives held by the Group were foreign currency forward contracts, whose fair values were calculated using discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were 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, 2018	December 31, 2017	June 30, 2017
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ -	$ 303,988	$ 116,405
Designated as at FVTPL	-	2,794,858	-
Mandatorily at FVTPL	5,163,405	-	-
Loans and receivables (Note 1)	-	13,184,303	11,157,578
Available-for-sale financial assets (Note 2)	-	1,738,753	7,053,402
Financial assets at amortized cost (Note 3)	13,872,280	-	-
Financial assets at FVTOCI			
Equity instruments	1,753,637	-	-
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	-	6,226	37,246
Mandatorily at FVTPL	4,637	-	-
Financial assets at amortized cost (Note 4)	14,533,882	9,027,555	12,042,420

Note 1: 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 2: The balances include the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables, trade receivables from related parties, other receivables, and other receivables from related parties.

Note 4: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable and trade payables, other payables, dividends 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 foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 33. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase in the New Taiwan dollars (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in exchange rates. The range of the sensitivity analysis included cash and cash equivalents, trade receivables and trade payables. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact		**Euro Impact**		**Renminbi Impact**	
	For the Six Months Ended June 30		**For the Six Months Ended June 30**		**For the Six Months Ended June 30**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Profit or loss	$ 65,000 (Note 1)	$ 44,648 (Note 1)	$ 84,980 (Note 2)	$ 20,519 (Note 2)	$ 65,050 (Note 3)	$ 49,864 (Note 3)

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

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

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

b) Interest rate risk

The Group's floating-rate bank savings, fixed-term bank deposits 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 carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Fair value interest rate risk			
Financial assets	$ 362,284	$ 230,278	$ 387,473
Financial liabilities	31,498	42,698	12,373
Cash flow interest rate risk			
Financial assets	4,203,036	4,452,477	2,418,571
Financial liabilities	74,334	79,419	483,480

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, 2018 and 2017 would have increased by $10,322 thousand and $4,838 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. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on equity instruments trading in the Taiwan Stock Exchange.

Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profit for the six months ended June 30, 2018 would have increased by $2,100 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the six months ended June 30, 2018 would have increased by $17,536 thousand as a result of the changes in fair value of financial assets at FVTOCI. Had equity prices been 1% lower for the same period, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

If equity prices had been 1% higher, pre-tax profits for the six months ended June 30, 2018 would have increased by $1,153 thousand 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 would have increased by $69,861 thousand as a result of the changes in fair value of available-for-sale investments. Had equity prices been 1% lower for the same period, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

The Group had the lower sensitivity toward equity prices mainly because it disposed the partial stocks in 2017.

2) Credit risk

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group had available unutilized short-term bank loan facilities set out in section (c) below.

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group had available unutilized short-term, loan facilities set out in section (c) below.

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, 2018

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 6,683,438	$ 1,170,810	$ 1,051,190	$ -
Variable interest rate liabilities	192	8,777	1,543	86,001
Fixed interest rate liabilities	66	132	592	43,280
	$ 6,683,696	$ 1,179,719	$ 1,053,325	$ 129,281

June 30, 2017

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

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

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

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

June 30, 2018

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Gross settled				
Foreign exchange forward contracts				
Inflows	$ 264,246	$ 488,029	$ 281,423	$ 1,033,698
Outflows	263,570	489,905	281,365	1,034,840
	$ 676	$ (1,876)	$ 58	$ (1,142)

June 30, 2017

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

c) Financing facilities

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	$ -	$ -	$ 373,140
Amount unused	4,000,000	4,034,100	3,746,150
	$ 4,000,000	$ 4,034,100	$ 4,119,290
Secured bank overdraft facilities:			
Amount used	$ 105,832	$ 122,117	$ 97,650

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Winmate Inc.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party
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	
	2018	2017	2018	2017
Associates	$ 36,550	$ 14,939	$ 57,447	$ 38,019

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Associates	$ 32,657	$ 15,262	$ 52,324	$ 37,042

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

Line Items	Related Party Categories/Name	June 30, 2018	December 31, 2017	June 30, 2017
Trade receivables from related parties	Associates	$ 37,865	$ 14,067	$ 12,908

The outstanding trade receivables from related parties are unsecured. For the six months ended June 30, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Other receivables from related parties

Accounts	Related Party Categories/Name	June 30, 2018	December 31, 2017	June 30, 2017
Other receivables from related parties	Associates	$ 143,482	$ -	$ 74,964

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

Line Items	Related Party Categories/Name	June 30, 2018	December 31, 2017	June 30, 2017
Trade payables	Associates	$ 39,236	$ 19,499	$ 6,983
Other payables	Other related parties	$ -	$ -	$ 3,935

The outstanding trade payables to related parties are unsecured.

g. Disposal of property, plant and equipment

	Proceeds		Gain (Loss) on Disposal	
	For the Three Months Ended June 30		For the Three Months Ended June 30	
Related Party Categories/Name	2018	2017	2018	2017
Other related party	$ -	$ 74,397	$ -	$ 66,531

	Proceeds		Gain (Loss) on Disposal	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
Related Party Categories/Name	2018	2017	2018	2017
Other related party	$ -	$ 74,397	$ -	$ 66,531

h. Loans from related parties

Related Party Categories/Name	June 30, 2018	December 31, 2018	June 30, 2017
Other related party (recorded under other payables)	$ -	$ -	$ 2,700

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	
	2018	2017	2018	2017
Research and development expenses				
Associates	$ 684	$ 5,200	$ 2,372	$ 6,197

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

	Other Income			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Rental income				
Other related parties	$ 15	$ 15	$ 30	$ 30
Others				
Other related parties	$ 675	$ 675	$ 1,351	$ 1,351

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

j. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 11,793	$ 11,662	$ 23,587	$ 23,324
Post-employment benefits	50	25	100	49
Share-based payments	6,377	2,943	13,764	5,846
	$ 18,220	$ 14,630	$ 37,451	$ 29,219

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2018	December 31, 2017	June 30, 2017
Pledge deposits (recognized as financial assets measured at cost)	$ 28,912	$ 29,982	$ 34,290
Property, plant and equipment	67,068	69,552	67,068
	$ 95,980	$ 99,534	$ 101,358

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2018

Unit: In Thousands for Currencies, Except Exchange Rates

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

December 31, 2017

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 204,045	29.760 (USD:NTD)	$ 6,072,379
RMB	370,046	4.5650 (RMB:NTD)	1,689,260
EUR	32,336	35.570 (EUR:NTD)	1,150,192
USD	18,340	6.5192 (USD:RMB)	545,801
			$ 9,457,632
Financial liabilities			
Monetary items			
USD	120,900	29.760 (USD:NTD)	$ 3,597,984
RMB	190,006	4.5650 (RMB:NTD)	867,377
USD	28,310	6.5192 (USD:RMB)	842,512
			$ 5,307,873

June 30, 2017

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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)	432,814
			$ 8,148,035
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)	815,438
			$ 5,127,115

For the three months and six months ended June 30, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were $45,671 thousand and $107,552 thousand, $42,915 thousand and $(94,892) 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.

34. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held. (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Transactions of financial instruments. (Notes 7 and 30)

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 income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

35. SEGMENT INFORMATION

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

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

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

a. These operating segments have similar long-term gross profit margins; and

b. The nature of the products and production processes are similar.

Segment Revenue and Results

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

	Industrial Interest of Thing Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS&APS)	Others	Total
For the six months ended June 30, 2018							
Revenue from external customers	$ 8,478,064	$ 6,429,555	$ 3,706,214	$ 2,155,581	$ 3,135,943	$ 95,282	$ 24,000,639
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	$ 8,478,064	$ 6,429,555	$ 3,706,214	$ 2,155,581	$ 3,135,943	$ 95,282	24,000,639
Eliminations	$ -	$ -	$ -	$ -	$ -	$ -	-
Consolidated revenue	-	-	-	-	-	-	24,000,639
Segment income	$ 1,927,614	$ 1,047,648	$ 526,674	$ 133,448	$ 345,255	$ 112	3,980,751
Central administration costs and directors' salaries							(396,707)
Other revenue							72,232
Other income and expense							68,377
Finance costs							(2,487)
Share of profits of associates for using the equity method							47,856
Profit before tax (continuing operations)							$ 3,770,022
For the six months ended June 30, 2017							
Revenue 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 revenue	-	-	-	-	-	-	-
Segment revenue	$ 7,178,134	$ 5,712,575	$ 4,265,788	$ 1,519,394	$ 2,679,431	$ 57,025	21,412,347
Eliminations	$ -	$ -	$ -	$ -	$ -	$ -	-
Consolidated revenues	-	-	-	-	-	-	21,412,347
Segment income	$ 1,573,535	$ 955,434	$ 681,445	$ (675)	$ 338,039	$ (47)	3,547,731
Central administration costs and directors' salaries							(291,299)
Other revenue							54,739
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 (continuing operations)							$ 3,638,496

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

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D) Highest Balance for the Period	Credit Line (Note D) Ending Balance	Actual Borrowing Ending Balance	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral Item	Collateral Value	Financing Limit for Each Borrower	Aggregate Financing Limits
1	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	$ 17,184 (CZK 12,000 thousand)	$ 16,440 (CZK 12,000 thousand)	$ 16,440 (CZK 12,000 thousand)	2	Short-term financing	$ -	Financing need	$ -	None	None	$ 25,623 (Note C)	$ 51,246 (Note C)
2	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	5,728 (CZK 4,000 thousand)	5,480 (CZK 4,000 thousand)	-	2	Short-term financing	-	Financing need	-	None	None	25,623 (Note C)	51,246 (Note C)
3	LNC	Advantech LNC Dong Guan	Trade receivables - related parties	Yes	30,000	30,000	16,332	-	Short-term financing	-	Financing need	-	None	None	32,500 (Note D)	130,000 (Note D)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of June 30, 2018 were CZK1=NT$1.37.

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

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

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

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

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	$ 2,628,495	$ 913,800 (US$ 30,000 thousand)	$ 913,800 (US$ 30,000 thousand)	$ -	$ -	3.48	$ 7,885,485	Y	N	N
		B+B	Subsidiary	2,628,495	303,077 (US$ 9,950 thousand)	303,077 (US$ 9,950 thousand)	-	-	1.15	7,885,485	Y	N	N
		B+B (CZ)	Subsidiary	2,628,495	1,523 (US$ 50 thousand)	1,523 (US$ 50 thousand)	-	-	0.01	7,885,485	Y	N	N
		AKST	Subsidiary	2,628,495	121,840 (US$ 4,000 thousand)	121,840 (US$ 4,000 thousand)	-	-	0.46	7,885,485	Y	N	N
		AVN	Subsidiary	2,628,495	30,460 (US$ 1,000 thousand)	30,460 (US$ 1,000 thousand)	-	-	0.12	7,885,485	Y	N	N
		AKMC	Subsidiary	2,628,495	182,760 (US$ 6,000 thousand)	182,760 (US$ 6,000 thousand)	-	-	0.70	7,885,485	Y	N	Y
		Advanixs Corp.	Subsidiary	2,628,495	48,736 (US$ 1,600 thousand)	48,736 (US$ 1,600 thousand)	-	-	0.19	7,885,485	Y	N	N
		Cermate	Subsidiary	2,628,495	30,460 (US$ 1,000 thousand)	30,460 (US$ 1,000 thousand)	-	-	0.12	7,885,485	Y	N	N
		AiST	Subsidiary	2,628,495	4,569 (US$ 150 thousand)	4,569 (US$ 150 thousand)	-	-	0.02	7,885,485	Y	N	N
		AdvanPOS	Subsidiary	2,628,495	30,460 (US$ 1,000 thousand)	30,460 (US$ 1,000 thousand)	-	-	0.12	7,885,485	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee Name	Endorsee/Guarantee Relationship	Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		A-DLoG	Subsidiary	$ 2,628,495	$ 36,240 (EUR 1,000 thousand)	$ 35,400 (EUR 1,000 thousand)	-	-	0.14	$ 7,885,485	Y	N	N
		ABR	Subsidiary	2,628,495	45,690 (US$ 1,500 thousand)	45,690 (US$ 1,500 thousand)	-	-	0.17	7,885,485	Y	N	N
		AAU	Subsidiary	2,628,495	6,092 (US$ 200 thousand)	6,092 (US$ 200 thousand)	-	-	0.02	7,885,485	Y	N	N
		AKR	Subsidiary	2,628,495	1,523 (US$ 50 thousand)	1,523 (US$ 50 thousand)	-	-	0.01	7,885,485	Y	N	N
		Shenzhen Cermate Technologies Inc.	Subsidiary	2,628,495	16,573 (US$ 550 thousand)	16,573 (US$ 550 thousand)	-	-	0.06	7,885,485	Y	N	Y

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

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

Note C: The exchange rates as of June 30, 2018 were US$1= NT$30.46 and EUR1= NT$35.40.

Note D: The latest net equity is from the financial statements for the six months ended June 30, 2018.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note E)	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Share							
	ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	$ 4,739,461	$ 1,319,940	0.64	$ 1,319,940	Note 1
	Allied Circuit Co., Ltd.	-	〃	1,200,000	113,640	2.41	113,640	Note 1
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	171,461,298	2,142,186	-	2,142,186	Note 2
	Capital Money Market	-	〃	67,803,297	1,089,843		1,089,843	Note 2
	FSITC Money Market	-	〃	5,296,441	941,374	-	941,374	Note 2
Advantech Corporate Investment	Share							
	HwaCom System Inc.	-	Financial assets at fair value through profit or loss - current	1,337,000	18,985	1.29	18,985	Note 1
	Phison Electronics Corporation	-	〃	750,000	180,750	0.38	180,750	Note 1
	Contec	-	〃	15,500	10,285	0.23	10,285	Note 1
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	236,845	5.03	236,845	Note 1
	BroadTec System Inc.	-	〃	182,700	4,797	7.50	4,797	-
	BiosenseTek Corp.	-	〃	37,500	173	1.79	173	-
	Juguar Technology	-	〃	500,000	5,824	16.67	5,824	-
	Taiwan DSC PV Ltd.	-	〃	160,000	383	3.20	383	-
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	34,768,280	434,384	-	434,384	Note 2
Advanixs Corporate	Fund							
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	1,212,495	17,896	-	17,896	Note 2
	Mega Diamond Money Market	-	〃	9,604,919	120,002	-	120,002	Note 2
AiST	Fund							
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	1,243,566	18,354	-	18,354	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note E)	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
AdvanPOS	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	1,331,885	$ 16,640	-	$ 16,640	Note 2
Advantech Innovative Design Co., Ltd.	Fund							
	Capital Money Market	-	〃	631,721	10,154	-	10,154	Note 2
Cermate	Fund							
	Mega Diamond Money Market	-	〃	2,647,312	33,075	-	33,075	Note 2
SIOT	Fund							
	FSITC Money Market	-	〃	557,401	99,071	-	99,071	Note 2
AiSC	Fund							
	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss	-	68,895	6.96	68,895	Note 3
	Jama Pro Co., Ltd.	-	〃	583,300	3,140	10.00	3,140	Note 3
Huan Yan, Jhih-Lian Co., Ltd.	Fund							
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	54,616	9,707	-	9,707	Note 2
Yun Yan, Wu-Lian Co., Ltd.	Fund							
	FSITC Money Market	-	〃	54,616	9,707	-	9,707	Note 2

Note A: Market value was based on the closing price on June 30, 2018

Note B: Market value was based on the net asset values of the open-ended mutual funds on June 30, 2018.

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

Note D: Securities comprise shares, beneficiary certificates, and securities derived from the shares and beneficiary certificates under IFRS 9 “Financial Instruments”.

(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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	Fund													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	28,879,553	$ 360,000	142,581,745	$ 1,780,000	-	$ -	$ -	$ -	171,461,298	$ 2,140,000
	Capital Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	67,803,297	1,089,000	-	-	-	-	67,803,297	1,089,000
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	1,578,638	280,000	4,675,443	830,000	957,640	170,000	169,895	105	5,296,441	940,105
Advantech Corporate Investment	Fund													
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	2,926,124	519,001	112,606	20,000	3,038,730	539,603	539,001	602	-	-
	Share													
	AzureWave Technologies, Inc.	Investments accounted for using the equity method	-	Associate	5,492,000	90,439	22,318,000	454,190	-	-	-	-	27,810,000	544,629
Advanixs Corporate	Fund													
	Jih sun Money Market	Financial assets at fair value through profit or loss - current	-	-	40,686,999	599,197	7,224,680	106,501	46,699,184	689,000	687,839	1,161	1,212,495	17,859

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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AAU	Subsidiary	Sale	$ (113,172)	(0.64)	60-90 days	Contract price	No significant difference in terms for related parties	$ 37,328	0.45	
	AEU	Subsidiary	Sale	(2,545,776)	(14.45)	30 days after month-end	Contract price	No significant difference in terms for related parties	1,645,391	19.95	
	AJP	Subsidiary	Sale	(397,038)	(2.25)	60-90 days	Contract price	No significant difference in terms for related parties	113,961	1.38	
	ACN	Subsidiary	Sale	(3,673,030)	(20.85)	45 days after month-end	Contract price	No significant difference in terms for related parties	1,537,404	18.64	Note A
	AKR	Subsidiary	Sale	(473,448)	(2.69)	60 days after invoice date	Contract price	No significant difference in terms for related parties	105,444	1.28	
	ANA	Subsidiary	Sale	(4,554,937)	(25.86)	45 days after month-end	Contract price	No significant difference in terms for related parties	1,583,644	19.20	
	ASG	Subsidiary	Sale	(130,059)	(0.74)	60-90 days	Contract price	No significant difference in terms for related parties	55,849	0.68	
	Advanixs Corp.	Subsidiary	Sale	(441,739)	(2.51)	60-90 days	Contract price	No significant difference in terms for related parties	184,385	2.24	
	A-DLoG	Subsidiary	Sale	(375,711)	(2.13)	30 days after invoice date	Contract price	No significant difference in terms for related parties	301,188	3.65	
	AKMC	Subsidiary	Purchase	6,152,522	49.73	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,968,478)	30.81	
AKMC	The Company	Parent company	Sale	(6,152,522)	94.55	Usual trade terms	Contract price	No significant difference in terms for related parties	1,968,478	95.42	
AAU	The Company	Parent company	Purchase	113,172	90.34	60-90 days	Contract price	No significant difference in terms for related parties	(37,328)	92.73	
AEU	The Company	Parent company	Purchase	2,545,776	78.56	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,645,391)	82.41	
AJP	The Company	Parent company	Purchase	397,038	90.65	60-90 days	Contract price	No significant difference in terms for related parties	(113,961)	87.03	
ACN	The Company	Parent company	Purchase	3,673,030	76.57	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,537,404)	82.46	
AKR	The Company	Parent company	Purchase	473,448	59.97	60 days after invoice date	Contract price	No significant difference in terms for related parties	(105,444)	55.53	
ANA	The Company	Parent company	Purchase	4,554,937	90.84	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,583,644)	91.00	
ASG	The Company	Parent company	Purchase	130,059	80.34	60-90 days	Contract price	No significant difference in terms for related parties	(55,849)	76.30	
Advanixs Corp.	The Company	Parent company	Purchase	441,739	98.82	60-90 days	Contract price	No significant difference in terms for related parties	(185,885)	99.25	
A-DLoG	The Company	Parent company	Purchase	375,711	72.67	30 days after invoice date	Contract price	No significant difference in terms for related parties	(301,188)	100.00	
AKMC	ACN	Related enterprise	Sale	(259,747)	3.99	Usual trade terms	Contract price	No significant difference in terms for related parties	70,083	3.40	
LNC	Advantech LNC Dong Duan Co., Ltd.	Subsidiary	Sale	(142,854)	61.36	Usual trade terms	Contract price	No significant difference in terms for related parties	216,377	88.68	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
B+B (CZ)	AEU	Related enterprise	Sale	$ (114,872)	56.51	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 39,493	100.00	
ACN	AKMC	Related enterprise	Purchase	259,747	5.41	Usual trade terms	Contract price	No significant difference in terms for related parties	(70,083)	3.76	
Advantech LNC Dong Duan Co., Ltd.	LNC	Parent company	Purchase	142,854	69.09	Usual trade terms	Contract price	No significant difference in terms for related parties	(216,377)	91.81	
AEU	B+B (CZ)	Related enterprise	Purchase	114,872	4.29	Usual trade terms	Contract price	No significant difference in terms for related parties	(39,493)	2.30	

Note A: Unrealized gain for the period was $11,529 thousand.

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note A)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ANA	Subsidiary	$ 1,583,644	5.72	$ -	-	$ -	$ -
	AEU	Subsidiary	1,645,391	3.38	-	-	350,511	-
	ACN	Subsidiary	1,537,404	5.87	-	-	496,043	-
	AKMC	Subsidiary	610,524	Note B	-	-	555,039	-
	A-DLoG	Subsidiary	301,188	4.31	-	-	-	-
	AJP	Subsidiary	113,961	5.96	-	-	-	
	AKR	Subsidiary	105,444	10.49	-	-	-	
	Advanixs Corp.	Subsidiary	184,399	5.44	-	-	82,281	-
LNC	Advantech LNC Dong Guan	Subsidiary	216,377	1.43	-	-	25,519	-
AKMC	The Company	Parent company	1,968,478	7.35	-	-	400,599	-

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				June 30, 2018	December 31, 2017	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	$ 4,324,779	$ 98,590	$ 98,121	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,743,840	239,810	234,249	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	486,000	36,000,000	100.00	196,397	23,255	63,117	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	1,723,930	43,490	43,491	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.86	563,971	193,039	49,907	Equity-meth investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	460,572	1,000,000	100.00	296,182	(1,321)	(219)	Subsidiary
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	428,244	431,634	24,350,000	80.60	499,128	16,056	12,954	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	10,742	996	295	Equity-meth investee
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	232	645	645	Subsidiary
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	807,584	(8,480)	(8,572)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	94,559	6,543	6,543	Subsidiary
	ATH	Thailand	Production of computers	47,701	-	51,000	51.00	48,420	4,140	1,359	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	45,468	198	198	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	289,413	11,181	11,181	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	68,519	15,994	15,994	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	277,624	59,926	59,926	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	58,421	2,410	1,928	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,064	22	22	Subsidiary
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,838	157,915	10,000,000	100.00	96,704	977	977	Subsidiary
	BEMC	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	6	60.00	1,946,385	42,168	23,580	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	14,154	3,443	3,443	Subsidiary
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	135,000	135,000	13,500,000	45.00	77,878	(13,916)	(6,262)	Equity-meth investee
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	17,280	36.00	-	(12,529)	-	Subsidiary
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	523,160	69,091	13,088	Equity-meth investee
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	-	8,100	60.00	75,232	680	53	Subsidiary
	Nippon RAD Inc.	Tokyo, Japan	R&D of IoT intelligent system	251,915	-	850,000	16.08	251,915	-	-	Equity-meth investee
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	11,520	24.00	-	(12,529)	-	Subsidiary
Advantech Corporate Investment	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	133,304	20,560	11,309	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	14,438	(2,567)	(1,019)	Equity-meth investee
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	75,000	75,000	7,500,000	17.86	72,501	(10,152)	(1,813)	Equity-meth investee
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	544,629	-	27,810,000	18.42	538,289	(66,301)	(6,340)	Equity-meth investee
	Huan Yan, Jhih-Lian Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	5,000	-	500,000	50.00	4,971	(58)	(29)	Subsidiary
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	-	500,000	50.00	4,973	(54)	(27)	Subsidiary
	Nippon RAD Inc.	Tokyo, Japan	R&D of IoT intelligent system	45,732	-	154,310	2.92	45,732	-	-	Equity-meth investee
	iLink Co., Ltd.	Taichung	Intelligent medical intergration	10,067	-	1,000,000	25.00	10,067	-	-	Equity-meth investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	3,784,803	271,271	265,710	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				June 30, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	$ 504,179	$ 504,179	10,952,606	100.00	$ 2,595,951	$ 112,531	$ 112,843	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,804,229	(10,911)	(11,691)	Subsidiary
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	165,520	-	-	100.00	169,935	(1,795)	(2,575)	Subsidiary
ANA	BEMC	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	4	40.00	1,315,544	42,168	16,867	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	934,807	(11,401)	(11,492)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	29,720	3,325	3,325	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	513,842	42,173	42,081	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	47,945	4,140	2,068	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	6,556	1,527	1,527	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	111,478	16,220	15,826	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	8,556,096	100.00	45,795	(3,053)	(3,055)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	39,562	(3,062)	(3,062)	Subsidiary
BEMC	Avtek	Delaware, USA	Sale of industrial network communications systems	US$ 99,850	US$ 99,850	-	100.00	3,261,929	42,168	40,447	Subsidiary
Avtek	B+B	Delaware, USA	Sale of industrial network communications systems	US$ 99,850	US$ 99,850	384,111	100.00	3,261,929	42,168	40,447	Subsidiary
B+B	BBI	Ireland	Sale of industrial network communications systems	US$ 39,481	US$ 39,481	-	100.00	109,239	(2,033)	(2,033)	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	Manufacturing automation	-	-	-	99.99	256,241	27,195	27,195	Subsidiary
	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	(24)	(9,526)	(95)	Subsidiary
	B&B DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2	68	68.00	Subsidiary
B&B Electronics	B+B (CZ)	Czech Republic	Manufacturing automation	-	-	-	0.01	-	-	-	Subsidiary
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	(2,412)	(9,526)	(9,431)	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, and B+B.

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

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

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US$ 43,750 thousand (Note F)	Indirect	$ 1,136,158 (US$ 37,300 thousand)	$ -	$ -	$ 1,136,158 (US$ 37,300 thousand)	$ 276,373	100	$ 270,812	$ 3,784,804	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US$ 4,230 thousand	Indirect	162,413 (US$ 5,332 thousand)	-	-	162,413 (US$ 5,332 thousand)	9,652	100	8,933	1,107,015	342,126 (US$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US$ 8,000 thousand	Indirect	243,680 (US$ 8,000 thousand)	-	-	243,680 (US$ 8,000 thousand)	(27,351)	100	(27,412)	671,818	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	(741)	100	(741)	30,263	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	(325)	100	(325)	-	-
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	RMB 99,515 thousand	Indirect	(Note G)	-	-	(Note G)	-	100	-	-	-
Advantech LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US$ 4,000 thousand	Indirect	97,289 (US$ 3,194 thousand)	-	-	97,289 (US$ 3,194 thousand)	(3,062)	100	(3,060)	39,720	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,382 (US$ 308 thousand)	-	-	9,382 (US$ 308 thousand)	15,976	90	14,345	81,502	29,845 (US$ 717 thousand) (RMB 1,743 thousand)

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
Cermate Technologies (Shanghai) Inc.	sale of Human Machine Interface	US$ 5,200 thousand	Indirect	$ 17,423 (US$ 572 thousand)	$ -	$ -	$ 17,423 (US$ 572 thousand)	$ 1,841	100	$ 1,841	$ 30,210	$ -
Advantech Service-IoT (Shanghai) Co., Ltd.	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	-	-	-	-	-	99	-	-	-

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
$1,672,437 (US$54,906 thousand) (Note E)	$2,878,226 (US$94,492 thousand)	$15,885,101 (Note H)

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, and B+B.

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

Note C: Remittance by ACN.

Note D: In the first quarter of 2018, Hangzhou Advantofine Automation Co., Ltd. was in the process of liquidation.

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$30.46 and RMB1=NT$4.593.

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.

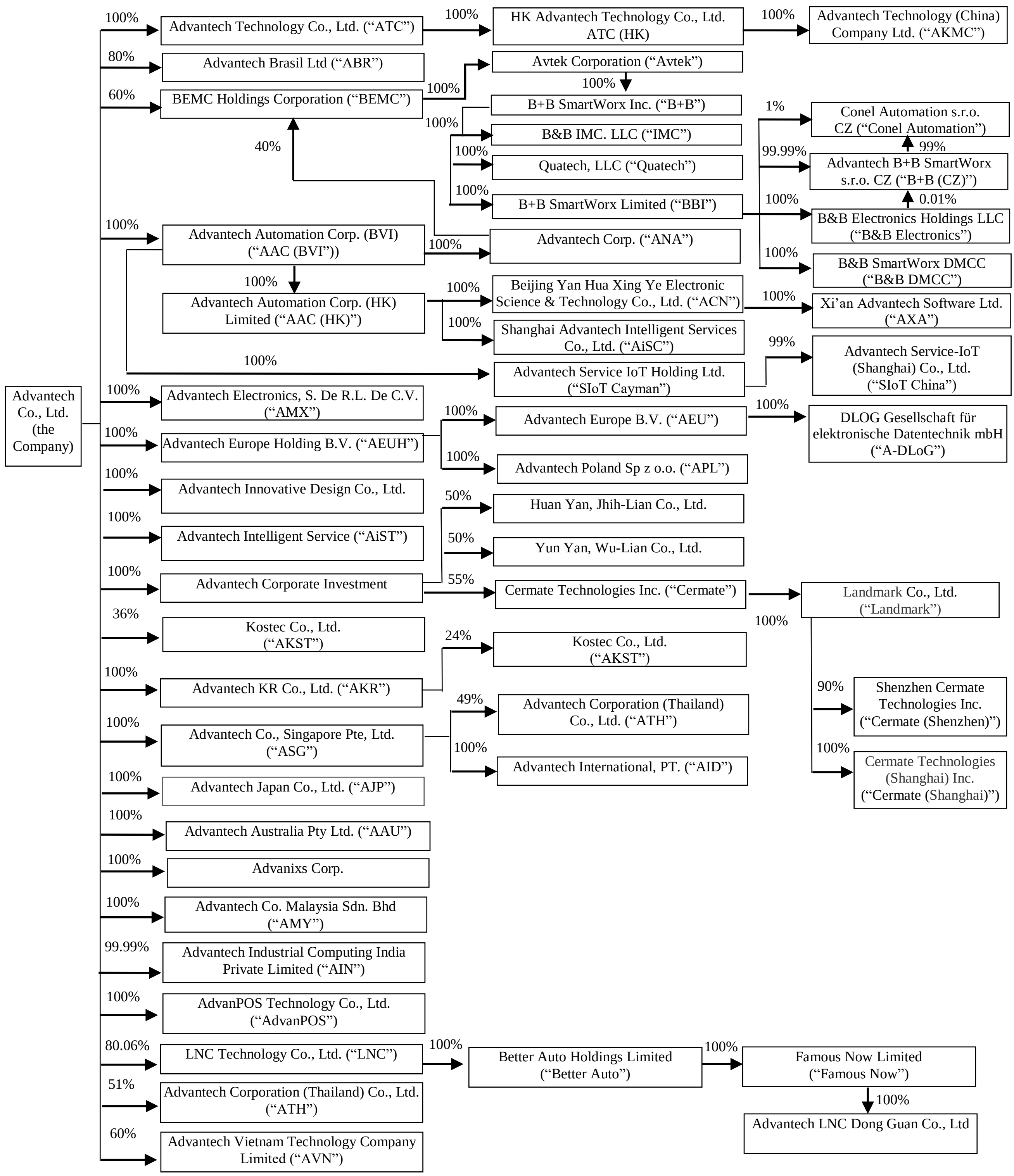
(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

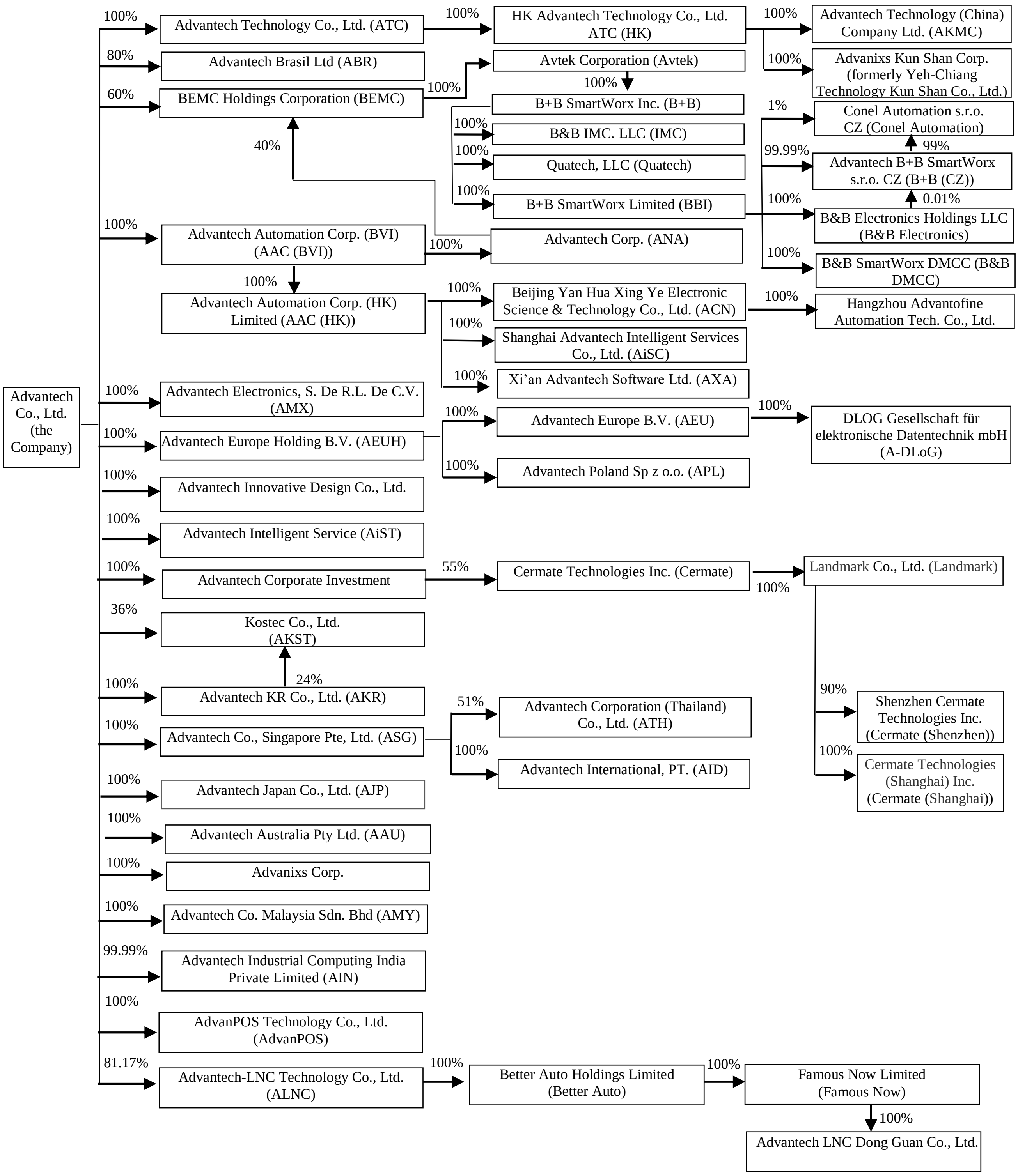
ORGANIZATION CHART
JUNE 30, 2018 AND 2017

Intercompany relationships and percentages of ownership as of June 30, 2018 are shown below:



(Continued)

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



(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount (In Thousand)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	AAC(HK)	1	Other receivables from related parties	$ 66	45 days EOM	-
		AAU	1	Sales revenue	113,172	Normal	-
		AAU	1	Receivables from related parties	37,328	60-90 days	-
		AAU	1	Other receivables from related parties	473	60-90 days	-
		ABR	1	Sales revenue	52,994	Normal	-
		ABR	1	Receivables from related parties	24,768	90 days EOM	-
		ABR	1	Other receivables from related parties	937	90 days EOM	-
		ACN	1	Receivables from related parties	1,537,404	45 days EOM	3
		ACN	1	Sales revenue	3,673,030	Normal	15
		A-DLoG	1	Sales revenue	375,711	Normal	2
		A-DLoG	1	Receivables from related parties	301,188	30 days after invoice date	1
		A-DLoG	1	Other receivables from related parties	244	30 days after invoice date	-
		AEU	1	Sales revenue	2,545,776	Normal	11
		AEU	1	Receivables from related parties	1,645,391	30 days EOM	4
		AEU	1	Other receivables from related parties	3,994	30 days EOM	-
		AID	1	Sales revenue	12,006	Normal	-
		AID	1	Receivables from related parties	10,502	45 days after invoice date	-
		AID	1	Other receivables from related parties	539	45 days after invoice date	-
		AIN	1	Sales revenue	29,270	Normal	-
		AIN	1	Receivables from related parties	13,937	60 days EOM	-
		AIN	1	Other receivables from related parties	456	60 days EOM	-
		AiSC	1	Sales revenue	56,307	Normal	-
		AiSC	1	Receivables from related parties	5,067	45 days EOM	-
		AJP	1	Sales revenue	397,038	Normal	2
		AJP	1	Receivables from related parties	113,961	60-90 days	-
		AJP	1	Other receivables from related parties	639	60-90 days	-
		AKMC	1	Receivables from related parties	610,524	45 days EOM	1
		AKMC	1	Other receivables from related parties	44	45 days EOM	-
		AKR	1	Sales revenue	473,448	Normal	2
		AKR	1	Receivables from related parties	105,444	60 days after invoice date	-
		AKR	1	Other receivables from related parties	589	60 days after invoice date	-
		AKST	1	Receivables from related parties	28,175	30 days EOM	-
		AKST	1	Sales revenue	20,493	30 days EOM	-
		AKST	1	Other receivables from related parties	950	30 days EOM	-
		AMY	1	Sales revenue	73,245	Normal	-
		AMY	1	Receivables from related parties	22,793	45 days EOM	-
		AMY	1	Other receivables from related parties	304	45 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount (In Thousand)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ANA	1	Sales revenue	$ 4,554,937	Normal	19
		ANA	1	Receivables from related parties	1,583,644	45 days EOM	3
		ANA	1	Other receivables from related parties	7,177	45 days EOM	-
		APL	1	Sales revenue	10,836	Normal	-
		APL	1	Receivables from related parties	2,706	45 days EOM	-
		ASG	1	Sales revenue	130,059	Normal	1
		ASG	1	Receivables from related parties	55,849	60-90 days	-
		ASG	1	Other receivables from related parties	502	60-90 days	-
		ATC	1	Other receivables from related parties	577	Normal	-
		ATH	1	Sales revenue	28,704	Normal	-
		ATH	1	Receivables from related parties	10,376	30 days after invoice date	-
		ATH	1	Other receivables from related parties	319	30 days after invoice date	-
		AVN	1	Receivables from related parties	6,048	45 days EOM	-
		AVN	1	Sales revenue	2,674	Normal	-
		B+B	1	Sales revenue	75,582	Normal	-
		B+B	1	Receivables from related parties	20,874	60 days EOM	-
		B+B	1	Other receivables from related parties	1,067	60 days EOM	-
		B+B (CZ)	1	Sales revenue	16	Normal	-
		B+B (CZ)	1	Other receivables from related parties	13	60 days EOM	-
		BBI	1	Other receivables from related parties	38	45 days after invoice date	-
		DMCC	1	Other receivables from related parties	903	45 days after invoice date	-
		Cermate Technologies Inc.	1	Sales revenue	1,320	Normal	-
		Cermate Technologies Inc.	1	Other receivables from related parties	210	30 days EOM	-
		Advansus Corp.	1	Sales revenue	441,739	Normal	2
		Advansus Corp.	1	Receivables from related parties	184,385	60-90 days	-
		Advansus Corp.	1	Other receivables from related parties	14	60-90 days	-
		LNC	1	Receivables from related parties	499	60-90 days EOM	-
		LNC	1	Other receivables from related parties	440	60-90 days EOM	-
		LNC	1	Sales revenue	1,778	Normal	-
1	AAC(HK)	Advantech Co., Ltd.	2	Other receivables from related parties	5	45 days EOM	-
2	AAU	Advantech Co., Ltd.	2	Receivables from related parties	25	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	415	Normal	-
3	ABR	Advantech Co., Ltd.	2	Receivables from related parties	38	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other receivables from related parties	1,248	30 days after invoice date	-
4	ACN	AEU	3	Receivables from related parties	3,748	30 days EOM	-
		AEU	3	Sales revenue	8,051	Normal	-
		AiSC	3	Sales revenue	72,279	Normal	-
		AiSC	3	Receivables from related parties	16,237	Immediate payment	-
		AKMC	3	Sales revenue	13,989	Normal	-
		AKMC	3	Receivables from related parties	4,155	60-90 days	-
		AKR	3	Sales revenue	18	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount (In Thousand)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ANA	3	Receivables from related parties	$ 15	30 days EOM	-
		ANA	3	Sales revenue	317	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	263	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	1,625	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	980	30 days EOM	-
5	A-DLoG	AAU	3	Receivables from related parties	671	30 days after invoice date	-
		AAU	3	Sales revenue	1,045	Normal	-
		AEU	3	Receivables from related parties	1,214	30 days upon delivery	-
		AEU	3	Other revenue	4,882	Normal	-
		AEU	3	Sales revenue	32,721	Normal	-
		AEU	3	Other receivables from related parties	1,214	30 days EOM	-
		AKMC	3	Receivables from related parties	147	60 days after invoice date	-
		AKMC	3	Sales revenue	496	Normal	-
		AKR	3	Sales revenue	446	Normal	-
		ANA	3	Receivables from related parties	20,790	30 days after invoice date	-
		ANA	3	Sales revenue	25,206	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	37,460	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	17,684	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other receivables from related parties	68,014	60 days EOM	-
6	AEU	ACN	3	Sales revenue	32	Normal	-
		A-DLoG	3	Receivables from related parties	4,404	30 days upon delivery	-
		AIN	3	Sales revenue	19	Normal	-
		AIN	3	Receivables from related parties	33	45 days EOM	-
		AJP	3	Sales revenue	8	Normal	-
		AKMC	3	Sales revenue	101	Normal	-
		AKR	3	Sales revenue	190	Normal	-
		AKR	3	Receivables from related parties	3	30 days after invoice date	-
		ANA	3	Sales revenue	5,701	Normal	-
		ANA	3	Receivables from related parties	2,094	30 days after invoice date	-
		B+B	3	Receivables from related parties	22	45 days EOM	-
		B+B	3	Sales revenue	22	Normal	-
		B+B (CZ)	3	Receivables from related parties	36	45 days EOM	-
		BBI	3	Sales revenue	875	Normal	-
		BBI	3	Receivables from related parties	141	30 days after invoice date	-
		Advantech Co., Ltd.	2	Sales revenue	13,760	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,521	30 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	51,539	30 days EOM	-
		AKST	3	Receivables from related parties	1,057	30 days EOM	-
7	AID	ASG	3	Receivables from related parties	1,468	45 days after invoice date	-
		ASG	3	Other revenue	1,819	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	213	45 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount (In Thousand)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
8	AiSC	AAC(HK)	3	Other receivables from related parties	$ 4,609	90 days	-
		ACN	3	Other receivables from related parties	35,277	Immediate payment	-
		ACN	3	Sales revenue	5,245	Normal	-
		ACN	3	Rental revenue	3,040	Normal	-
		ACN	3	Receivables from related parties	2,266	Immediate payment	-
		AKMC	3	Sales revenue	18	Normal	-
		AKMC	3	Receivables from related parties	1	30 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	1,455	60 days EOM	-
9	AJP	ACN	3	Sales revenue	20	Normal	-
		ACN	3	Receivables from related parties	20	45 days EOM	-
		AKMC	3	Sales revenue	8,888	Normal	-
		AKMC	3	Receivables from related parties	6,039	45 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	8	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	251	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	335	30 days EOM	-
10	AKMC	ACN	3	Sales revenue	259,747	Normal	1
		ACN	3	Receivables from related parties	70,083	60-90 days	-
		ACN	3	Rental revenue	1,995	Normal	-
		AEU	3	Sales revenue	3,765	Normal	-
		AEU	3	Receivables from related parties	1,332	30 days after invoice date	-
		AiSC	3	Sales revenue	10,494	Normal	-
		AiSC	3	Receivables from related parties	3,316	Immediate payment	-
		ANA	3	Sales revenue	2,252	Normal	-
		ANA	3	Receivables from related parties	760	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	6,152,522	Normal	26
		Advantech Co., Ltd.	2	Receivables from related parties	1,968,478	60 days EOM	4
		Cermate Technologies Inc.	3	Receivables from related parties	394	60 days EOM	-
		Cermate Technologies Inc.	3	Sales revenue	398	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	15,994	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	20,437	Normal	-
		Advansus Corp.	3	Sales revenue	1,587	Normal	-
		Advansus Corp.	3	Receivables from related parties	589	Immediate payment	-
11	AKR	AKST	3	Sales revenue	12,581	Normal	-
		AKST	3	Receivables from related parties	13,223	30 days EOM	-
		ASG	3	Sales revenue	4	Normal	-
		ASG	3	Receivables from related parties	4	30 days EOM	-
		AVN	3	Receivables from related parties	38	30 days EOM	-
		AVN	3	Sales revenue	39	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	122	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	79	90 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount (In Thousand)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
12	AKST	AEU	3	Sales revenue	$ 8,865	Normal	-
		AKMC	3	Sales revenue	4,840	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,841	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	621	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	1,005	30 days EOM	-
13	AMX	Advantech Co., Ltd.	2	Other receivables from related parties	457	Immediate payment	-
14	AMY	ATH	3	Sales revenue	51	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	213	45 days EOM	-
15	ANA	AAU	3	Sales revenue	45	Normal	-
		A-DLoG	3	Sales revenue	9	Normal	-
		AEU	3	Sales revenue	18,002	Normal	-
		AEU	3	Receivables from related parties	3,902	60-90 days	-
		AIN	3	Receivables from related parties	58	30 days after invoice date	-
		AIN	3	Sales revenue	56	Normal	-
		AKMC	3	Sales revenue	5,806	Normal	-
		AKMC	3	Receivables from related parties	9,357	30 days EOM	-
		AKR	3	Sales revenue	1,769	Normal	-
		ASG	3	Sales revenue	21	Normal	-
		ASG	3	Sales revenue	21	Normal	-
		B+B	3	Receivables from related parties	1,939	60-90 days	-
		B+B	3	Sales revenue	2,411	Normal	-
		B+B (CZ)	3	Sales revenue	1,133	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	14,087	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,340	45 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	196	45 days EOM	-
16	APL	ANA	3	Receivables from related parties	3	30 days after invoice date	-
17	ASG	AID	3	Sales revenue	17	Normal	-
		AID	3	Receivables from related parties	17	30 days upon delivery	-
		AMY	3	Sales revenue	4,760	Normal	-
		AMY	3	Receivables from related parties	2,224	30 days EOM	-
		ATH	3	Sales revenue	1,418	Normal	-
		ATH	3	Other revenue	769	Normal	-
		ATH	3	Receivables from related parties	1,006	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	5	Normal	-
18	ATH	Advantech Co., Ltd.	2	Sales revenue	5	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other receivables from related parties	289	30 days EOM	-
19	AXA	ACN	3	Other receivables from related parties	9,186	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount (In Thousand)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
20	B+B	AEU	3	Sales revenue	$ 36,252	Normal	-
		AEU	3	Receivables from related parties	10,434	90 days EOM	-
		AKMC	3	Receivables from related parties	21	60 days after invoice date	-
		AKMC	3	Sales revenue	28	Normal	-
		ANA	3	Receivables from related parties	5,135	30 days EOM	-
		BBI	3	Sales revenue	4,415	Normal	-
		BBI	3	Other revenue	2,451	Normal	-
		BBI	3	Receivables from related parties	6,416	45 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	27,091	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	13,892	90 days EOM	-
21	B+B (CZ)	AEU	3	Sales revenue	114,872	Normal	-
		AEU	3	Other revenue	2,664	Normal	-
		AEU	3	Other receivables from related parties	1,108	45 days EOM	-
		AEU	3	Receivables from related parties	39,493	45 days EOM	-
		ANA	3	Sales revenue	6,671	Normal	-
		B+B	3	Sales revenue	20,498	Normal	-
		B+B	3	Receivables from related parties	7,194	45 days EOM	-
		Conel Automation	3	Other revenue	395	45 days EOM	-
		Conel Automation	3	Other receivables from related parties	566	45 days EOM	-
		Conel Automation	3	Sales revenue	58	Normal	-
		Conel Automation	3	Interest revenue	222	Normal	-
		Conel Automation	3	Receivables from related parties	13	45 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	37,619	Normal	-
22	BBI	AEU	3	Sales revenue	29,449	Normal	-
		AEU	3	Receivables from related parties	10,354	60 days after invoice date	-
		B+B	3	Receivables from related parties	18,837	60 days after invoice date	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,660	60 days after invoice date	-
23	Conel Automation	Advantech Co., Ltd.	2	Receivables from related parties	13,346	45 days EOM	-
24	Advantech LNC Dong Guan Co., Ltd.	LNC	3	Sales revenue	1,242	Normal	-
		LNC	3	Receivables from related parties	1,229	90 days EOM	-
25	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	572	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	96	60 days EOM	-
26	Cermate Technologies Inc.	AKMC	3	Sales revenue	5,940	Normal	-
		AKMC	3	Receivables from related parties	6,039	60 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	1,573	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	541	30-60 days	-
		Advantech Co., Ltd.	2	Other receivables from related parties	6	30-60 days	-
		Cermate (Shenzhen)	3	Receivables from related parties	2,083	30 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	53,584	Normal	-
		LNC	3	Sales revenue	5	Normal	-
		LNC	3	Receivables from related parties	5	60 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount (In Thousand)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
27	Cermate (Shenzhen)	ACN	3	Sales revenue	$ 4	Normal	-
		AKMC	3	Sales revenue	34,306	Normal	-
		AKMC	3	Receivables from related parties	11,760	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	18,478	Normal	-
		Cermate Technologies Inc.	3	Sales revenue	12,462	Normal	-
		Cermate Technologies Inc.	3	Receivables from related parties	3,843	60 days EOM	-
28	Advansus Corp.	AKMC	3	Sales revenue	343	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	4,175	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	115	60-90 days	-
29	LNC	Advantech Co., Ltd.	2	Receivables from related parties	3	60 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	2,253	Normal	
		Advantech LNC Dong Guan Co., Ltd.	3	Receivables from related parties	216,377	90 days EOM	-
		Advantech LNC Dong Guan Co., Ltd.	3	Sales revenue	142,854	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, 2018, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2018.

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

(Concluded)