

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2016, December 31, 2015 and June 30, 2015 and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015, and changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. However, the financial statements of an associate, Axiomtek Co., Ltd., as of and for the six months ended June 30, 2016 and 2015 were reviewed by other independent CPAs. This investee's shares of the investments accounted for using the equity method were 1.11% (NT\$409,659 thousand) and 1.10% (NT\$375,963 thousand) of the Company's total consolidated assets as of June 30, 2016 and 2015, respectively. The Company's shares of its profits were 1.08% (NT\$19,828 thousand), 1.19% (NT\$19,354 thousand), 1.37% (NT\$47,571 thousand) and 1.37% (NT\$42,675 thousand) of the Company's consolidated pretax profits for the three months and six months ended June 30, 2016 and 2015, respectively.

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

As disclosed in Note 12, the financial statements of the Company's subsidiaries included in the consolidation for the six months ended June 30, 2016 and 2015 had not been reviewed, except those of significant subsidiaries. The total assets of the unreviewed subsidiaries were 15.31% (NT\$5,647,094 thousand) and 13.97% (NT\$4,790,767 thousand) of the Company's consolidated total assets as of June 30, 2016 and 2015, respectively. The total liabilities of the unreviewed subsidiaries were 12.55% (NT\$1,812,304 thousand) and 15.54% (NT\$2,074,578 thousand) of the Company's consolidated total liabilities as of June 30, 2016 and 2015, respectively. The comprehensive incomes of these subsidiaries were 23.50% (NT\$290,264 thousand), 10.26% (NT\$125,422 thousand), 24.30% (NT\$644,649 thousand) and 17.79% (NT\$374,092 thousand) of the Company's consolidated comprehensive incomes in the three months and six months ended June 30, 2016 and 2015, respectively. Also, as stated in Note 13 to the consolidated financial statements, the investments accounted for using the equity method were NT\$157,340 thousand and NT\$27,617 thousand as of June 30, 2016 and 2015. The equities in earnings of the associates were a loss of NT\$4,243 thousand, a profit of NT\$51 thousand, a loss of NT\$5,151 thousand and a loss of NT\$293 thousand of the Company's consolidated net income in the three months and six months ended June 30, 2016 and 2015, respectively, and these investment amounts as well as additional disclosures in Note 32 "Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

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

July 29, 2016

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)		June 30, 2015 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,509,259	10	\$ 4,358,259	13	\$ 3,473,436	10
Financial assets at fair value through profit or loss - current (Notes 7 and 27)	219,422	1	176,389	1	196,536	1
Available-for-sale financial assets - current (Notes 8 and 27)	3,582,932	10	1,755,843	5	5,571,694	16
Debt investments with no active market - current (Note 9)	8,111	-	3,171	-	20,703	-
Notes receivable (Notes 10 and 28)	830,722	2	970,722	3	718,428	2
Accounts receivable (Note 10)	6,274,940	17	5,428,574	16	5,712,486	17
Accounts receivable from related parties (Note 28)	7,340	-	26,775	-	5,376	-
Other receivables	28,564	-	40,811	-	38,453	-
Other receivables from related parties (Note 28)	88,313	-	-	-	81,917	-
Inventories (Note 11)	4,990,962	14	4,868,860	14	4,679,895	14
Other current financial assets (Note 29)	112,841	-	-	-	18,650	-
Other current assets (Note 16)	<u>491,092</u>	<u>1</u>	<u>456,342</u>	<u>1</u>	<u>423,825</u>	<u>1</u>
Total current assets	<u>20,144,498</u>	<u>55</u>	<u>18,085,746</u>	<u>53</u>	<u>20,941,399</u>	<u>61</u>
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 8 and 27)	1,715,282	5	1,747,598	5	1,983,308	6
Investments accounted for using the equity method (Note 13)	566,999	1	477,984	2	403,580	1
Property, plant and equipment (Note 14)	9,866,350	27	9,576,879	28	9,241,729	27
Goodwill (Note 15)	3,399,784	9	1,139,559	3	1,125,132	3
Other intangible assets	445,918	1	227,686	1	236,025	1
Deferred tax assets (Notes 4 and 22)	247,964	1	217,989	1	163,813	1
Prepayments for business facilities	86,245	-	65,753	-	43,377	-
Prepayments for investments (Note 25)	-	-	2,279,881	7	-	-
Long-term prepayments for lease (Note 16)	345,986	1	100,875	-	92,987	-
Other noncurrent assets	<u>60,053</u>	<u>-</u>	<u>59,183</u>	<u>-</u>	<u>58,205</u>	<u>-</u>
Total noncurrent assets	<u>16,734,581</u>	<u>45</u>	<u>15,893,387</u>	<u>47</u>	<u>13,348,156</u>	<u>39</u>
TOTAL	<u>\$ 36,879,079</u>	<u>100</u>	<u>\$ 33,979,133</u>	<u>100</u>	<u>\$ 34,289,555</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 484,125	1	\$ 880,625	3	\$ 115,000	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	8,179	-	6,352	-	13,091	-
Trade payables (Note 28)	3,540,115	10	3,226,069	9	3,536,311	10
Dividends payable	3,791,118	10	-	-	3,787,255	11
Other payables (Note 18)	3,355,675	9	3,380,317	10	3,125,853	9
Current tax liabilities (Notes 4 and 22)	1,202,743	3	1,057,226	3	887,015	3
Short-term warranty provision	170,294	1	145,646	-	137,281	1
Other current liabilities	<u>617,559</u>	<u>2</u>	<u>546,295</u>	<u>2</u>	<u>464,183</u>	<u>1</u>
Total current liabilities	<u>13,169,808</u>	<u>36</u>	<u>9,242,530</u>	<u>27</u>	<u>12,065,989</u>	<u>35</u>
NONCURRENT LIABILITIES						
Deferred tax liabilities (Notes 4 and 22)	916,627	2	938,491	3	915,151	3
Long-term accounts payable	-	-	-	-	37,190	-
Net defined benefit liabilities (Notes 4 and 19)	182,336	1	183,540	1	164,261	-
Other noncurrent liabilities	<u>175,247</u>	<u>-</u>	<u>160,795</u>	<u>-</u>	<u>166,231</u>	<u>1</u>
Total noncurrent liabilities	<u>1,274,210</u>	<u>3</u>	<u>1,282,826</u>	<u>4</u>	<u>1,282,833</u>	<u>4</u>
Total liabilities	<u>14,444,018</u>	<u>39</u>	<u>10,525,356</u>	<u>31</u>	<u>13,348,822</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	6,318,531	17	6,318,531	19	6,315,186	19
Advance receipts for share capital	-	-	-	-	1,720	-
Total share capital	<u>6,318,531</u>	<u>17</u>	<u>6,318,531</u>	<u>19</u>	<u>6,316,906</u>	<u>19</u>
Capital surplus	<u>5,720,675</u>	<u>16</u>	<u>5,587,555</u>	<u>16</u>	<u>5,448,543</u>	<u>16</u>
Retained earnings						
Legal reserve	4,473,276	12	3,962,842	12	3,962,842	12
Unappropriated earnings	<u>5,569,394</u>	<u>15</u>	<u>7,098,449</u>	<u>21</u>	<u>4,577,900</u>	<u>13</u>
Total retained earnings	<u>10,042,670</u>	<u>27</u>	<u>11,061,291</u>	<u>33</u>	<u>8,540,742</u>	<u>25</u>
Other equity						
Exchange differences on translation of foreign financial statements	108,555	-	271,859	1	62,033	-
Unrealized gains on available-for-sale financial assets	<u>109,308</u>	<u>1</u>	<u>68,265</u>	<u>-</u>	<u>417,096</u>	<u>1</u>
Total other equity	<u>217,863</u>	<u>1</u>	<u>340,124</u>	<u>1</u>	<u>479,129</u>	<u>1</u>
Total equity attributable to owners of the Company	22,299,739	61	23,307,501	69	20,785,320	61
NON-CONTROLLING INTERESTS	<u>135,322</u>	<u>-</u>	<u>146,276</u>	<u>-</u>	<u>155,413</u>	<u>-</u>
Total equity	<u>22,435,061</u>	<u>61</u>	<u>23,453,777</u>	<u>69</u>	<u>20,940,733</u>	<u>61</u>
TOTAL	<u>\$ 36,879,079</u>	<u>100</u>	<u>\$ 33,979,133</u>	<u>100</u>	<u>\$ 34,289,555</u>	<u>100</u>

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

(With Deloitte & Touche review report dated July 29, 2016)

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			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 28)								
Sales	\$ 10,338,007	96	\$ 9,755,333	97	\$ 20,187,723	97	\$ 18,333,407	97
Other operating revenue	<u>374,505</u>	<u>4</u>	<u>271,614</u>	<u>3</u>	<u>598,189</u>	<u>3</u>	<u>478,207</u>	<u>3</u>
Total operating revenue	10,712,512	100	10,026,947	100	20,785,912	100	18,811,614	100
OPERATING COSTS (Notes 11, 19, 21 and 28)	<u>6,405,413</u>	<u>60</u>	<u>6,046,484</u>	<u>60</u>	<u>12,341,948</u>	<u>59</u>	<u>11,240,372</u>	<u>60</u>
GROSS PROFIT	<u>4,307,099</u>	<u>40</u>	<u>3,980,463</u>	<u>40</u>	<u>8,443,964</u>	<u>41</u>	<u>7,571,242</u>	<u>40</u>
OPERATING EXPENSES (Notes 21 and 28)								
Selling and marketing expenses	1,078,665	10	963,749	10	2,167,691	11	1,881,504	10
General and administrative expenses	627,881	6	515,032	5	1,295,435	6	988,217	5
Research and development expenses	<u>922,795</u>	<u>8</u>	<u>869,447</u>	<u>9</u>	<u>1,820,584</u>	<u>9</u>	<u>1,718,128</u>	<u>9</u>
Total operating expenses	<u>2,629,341</u>	<u>24</u>	<u>2,348,228</u>	<u>24</u>	<u>5,283,710</u>	<u>26</u>	<u>4,587,849</u>	<u>24</u>
OPERATING PROFIT	<u>1,677,758</u>	<u>16</u>	<u>1,632,235</u>	<u>16</u>	<u>3,160,254</u>	<u>15</u>	<u>2,983,393</u>	<u>16</u>
NONOPERATING INCOME								
Share of the profit of associates accounted for using the equity method (Note 13)	15,585	-	19,405	-	42,420	-	42,382	-
Interest income	2,676	-	12,241	-	8,517	-	23,377	-
Gains (losses) on disposal of property, plant and equipment	113,161	1	(733)	-	259,215	1	(2,099)	-
Gains (losses) on disposal of investments	3,801	-	(7,996)	-	5,453	-	161,154	1
Foreign exchange losses, net (Notes 21 and 31)	(34,004)	-	(32,238)	-	(82,495)	-	(173,372)	(1)
Gains on financial instruments at fair value through profit or loss (Note 7)	34,427	-	14,947	-	69,095	1	70,480	-
Dividend income	196	-	165	-	410	-	253	-
Other income (Notes 8 and 28)	20,689	-	28,637	-	38,049	-	52,899	-
Finance costs (Note 21)	(1,315)	-	(1,195)	-	(3,397)	-	(2,046)	-
Losses on financial instruments at fair value through profit or loss (Note 7)	(4,776)	-	(39,209)	-	(34,864)	-	(49,562)	-
Other losses	<u>(281)</u>	<u>-</u>	<u>(1,666)</u>	<u>-</u>	<u>(1,113)</u>	<u>-</u>	<u>(1,895)</u>	<u>-</u>
Total nonoperating income	<u>150,159</u>	<u>1</u>	<u>(7,642)</u>	<u>-</u>	<u>301,290</u>	<u>2</u>	<u>121,571</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,827,917	17	1,624,593	16	3,461,544	17	3,104,964	16
INCOME TAX EXPENSE (Note 22)	<u>(358,711)</u>	<u>(3)</u>	<u>(291,900)</u>	<u>(3)</u>	<u>(675,877)</u>	<u>(3)</u>	<u>(566,059)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>1,469,206</u>	<u>14</u>	<u>1,332,693</u>	<u>13</u>	<u>2,785,667</u>	<u>14</u>	<u>2,538,905</u>	<u>13</u>

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ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 20)	\$ (132,146)	(1)	\$ (102,908)	(1)	\$ (205,462)	(1)	\$ (341,814)	(2)
Unrealized gains (losses) on available-for-sale financial assets (Note 20)	(122,038)	(1)	(22,517)	-	41,043	-	(146,181)	(1)
Share of the other comprehensive income of associates accounted for using the equity method (Note 20)	(374)	-	(963)	-	(2,301)	-	(5,095)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 22)	20,492	-	15,609	-	33,448	-	56,597	1
Other comprehensive income (loss) for the period, net of income tax	(234,066)	(2)	(110,779)	(1)	(133,272)	(1)	(436,493)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,235,140</u>	<u>12</u>	<u>\$ 1,221,914</u>	<u>12</u>	<u>\$ 2,652,395</u>	<u>13</u>	<u>\$ 2,102,412</u>	<u>11</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,464,273	14	\$ 1,327,917	13	\$ 2,776,188	13	\$ 2,534,787	14
Non-controlling interests	4,933	-	4,776	-	9,479	-	4,118	-
	<u>\$ 1,469,206</u>	<u>14</u>	<u>\$ 1,332,693</u>	<u>13</u>	<u>\$ 2,785,667</u>	<u>13</u>	<u>\$ 2,538,905</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,242,186	12	\$ 1,229,196	12	\$ 2,653,927	13	\$ 2,112,283	11
Non-controlling interests	(7,046)	-	(7,282)	-	(1,532)	-	(9,871)	-
	<u>\$ 1,235,140</u>	<u>12</u>	<u>\$ 1,221,914</u>	<u>12</u>	<u>\$ 2,652,395</u>	<u>13</u>	<u>\$ 2,102,412</u>	<u>11</u>
EARNINGS PER SHARE (Note 23)								
Basic	<u>\$ 2.32</u>		<u>\$ 2.10</u>		<u>\$ 4.39</u>		<u>\$ 4.01</u>	
Diluted	<u>\$ 2.31</u>		<u>\$ 2.10</u>		<u>\$ 4.38</u>		<u>\$ 4.00</u>	

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

(With Deloitte & Touche review report dated July 29, 2016)

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ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
								Other Equity (Note 20)				
	Issued Capital (Note 20)			Capital Surplus (Notes 20, 21, 24 and 26)	Retained Earnings (Notes 20 and 26)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests (Notes 20 and 26)	Total Equity
	Share Capital	Advance Receipts for Ordinary Shares	Total		Legal Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2015	\$ 6,301,031	\$ 11,060	\$ 6,312,091	\$ 5,306,958	\$ 3,472,064	\$ 6,358,318	\$ 9,830,382	\$ 338,356	\$ 563,277	\$ 22,351,064	\$ 187,000	\$ 22,538,064
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(5,045)	(5,045)	-	-	(5,045)	-	(5,045)
BALANCE AT JANUARY 1, 2015 AS RESTATED	6,301,031	11,060	6,312,091	5,306,958	3,472,064	6,353,273	9,825,337	338,356	563,277	22,346,019	187,000	22,533,019
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	-	490,778	(490,778)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(3,787,255)	(3,787,255)	-	-	(3,787,255)	-	(3,787,255)
Recognition of employee share options by the Company	14,155	(9,340)	4,815	18,409	-	-	-	-	-	23,224	-	23,224
Compensation cost recognized for employee share options	-	-	-	130,939	-	-	-	-	-	130,939	-	130,939
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	127	-	-	-	-	-	127	-	127
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	(11,457)	-	(32,127)	(32,127)	-	-	(43,584)	(21,716)	(65,300)
Changes in percentage of ownership interest in subsidiaries	-	-	-	3,567	-	-	-	-	-	3,567	-	3,567
Net profit for the six months ended June 30, 2015	-	-	-	-	-	2,534,787	2,534,787	-	-	2,534,787	4,118	2,538,905
Other comprehensive loss for the six months ended June 30, 2015	-	-	-	-	-	-	-	(276,323)	(146,181)	(422,504)	(13,989)	(436,493)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	2,534,787	2,534,787	(276,323)	(146,181)	2,112,283	(9,871)	2,102,412
BALANCE AT JUNE 30, 2015	<u>\$ 6,315,186</u>	<u>\$ 1,720</u>	<u>\$ 6,316,906</u>	<u>\$ 5,448,543</u>	<u>\$ 3,962,842</u>	<u>\$ 4,577,900</u>	<u>\$ 8,540,742</u>	<u>\$ 62,033</u>	<u>\$ 417,096</u>	<u>\$ 20,785,320</u>	<u>\$ 155,413</u>	<u>\$ 20,940,733</u>
BALANCE AT JANUARY 1, 2016	\$ 6,318,531	\$ -	\$ 6,318,531	\$ 5,587,555	\$ 3,962,842	\$ 7,098,449	\$ 11,061,291	\$ 271,859	\$ 68,265	\$ 23,307,501	\$ 146,276	\$ 23,453,777
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	-	510,434	(510,434)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(3,791,118)	(3,791,118)	-	-	(3,791,118)	-	(3,791,118)
Compensation cost recognized for employee share options	-	-	-	130,939	-	-	-	-	-	130,939	-	130,939
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	2,181	-	-	-	-	-	2,181	-	2,181
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	-	-	(3,691)	(3,691)	-	-	(3,691)	(9,422)	(13,113)
Net profit for the six months ended June 30, 2016	-	-	-	-	-	2,776,188	2,776,188	-	-	2,776,188	9,479	2,785,667
Other comprehensive income (loss) for six months ended June 30, 2016	-	-	-	-	-	-	-	(163,304)	41,043	(122,261)	(11,011)	(133,272)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	2,776,188	2,776,188	(163,304)	41,043	2,653,927	(1,532)	2,652,395
BALANCE AT JUNE 30, 2016	<u>\$ 6,318,531</u>	<u>\$ -</u>	<u>\$ 6,318,531</u>	<u>\$ 5,720,675</u>	<u>\$ 4,473,276</u>	<u>\$ 5,569,394</u>	<u>\$ 10,042,670</u>	<u>\$ 108,555</u>	<u>\$ 109,308</u>	<u>\$ 22,299,739</u>	<u>\$ 135,322</u>	<u>\$ 22,435,061</u>

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

(With Deloitte & Touche review report dated July 29, 2016)

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	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,461,544	\$ 3,104,964
Adjustments for:		
Depreciation expenses	291,817	280,055
Amortization expenses	181,525	41,637
Amortization expenses for prepayments of lease obligation	1,963	1,282
Impairment loss recognized (reversal of impairment loss) on trade receivable	(10,841)	6,638
Net gain on financial assets or liabilities at fair value through profit or loss	(34,231)	(20,918)
Compensation cost of employee share options	130,939	130,939
Finance costs	3,397	2,046
Interest income	(8,517)	(23,377)
Dividend income	(410)	(253)
Share of profit of associates accounted for using the equity method	(42,420)	(42,382)
Loss (gain) on disposal of property, plant and equipment	(259,215)	2,099
Gain on disposal of investments	(5,453)	(161,154)
Changes in operating assets and liabilities		
Financial assets held for trading	(6,975)	(5,823)
Notes receivable	140,000	231,433
Accounts receivable	(622,577)	(785,768)
Account receivables from related parties	19,435	24
Other receivables	17,081	(297)
Inventories	179,836	101,655
Other current assets	2,571	89,568
Other financial assets	(79,831)	-
Trade payables	178,520	130,071
Net defined benefit liabilities	(1,204)	(1,167)
Other payables	(33,430)	(56,823)
Other current liabilities	71,264	202,095
Other noncurrent liabilities	4,455	17,405
Cash generated from operations	3,579,243	3,243,949
Interest received	8,145	21,787
Dividend received	314	237
Interest paid	(4,195)	(1,027)
Income tax paid	(503,118)	(395,141)
Net cash generated from operating activities	3,080,389	2,869,805

(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	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ (3,337,445)	\$ (5,676,586)
Proceeds on sale of available-for-sale financial assets	1,588,963	3,974,194
Acquisition of investments with no active market	(4,938)	(15,556)
Acquisition of associates	(135,000)	-
Net cash outflow from acquisition of subsidiaries	(1,419,508)	-
Acquisition of property, plant and equipment	(643,171)	(698,901)
Proceeds from disposal of property, plant and equipment	519,788	18,834
Increase in refundable deposits	(870)	(15,589)
Acquisition of intangible assets	(58,094)	(15,245)
Increase in prepayments for business facilities	<u>(7,983)</u>	<u>(22,455)</u>
Net cash used in investing activities	<u>(3,498,258)</u>	<u>(2,451,304)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	111,920
Decrease in short-term loans	(396,500)	-
Decrease in guarantee deposits received	(733)	(316)
Exercise of employee share options	-	23,224
Decrease in non-controlling interests	<u>(13,113)</u>	<u>(65,300)</u>
Net cash generated from (used in) financing activities	<u>(410,346)</u>	<u>69,528</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(20,785)</u>	<u>(136,600)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(849,000)	351,429
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>4,358,259</u>	<u>3,122,007</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,509,259</u>	<u>\$ 3,473,436</u>

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

(With Deloitte & Touche review report dated July 29, 2016)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Advantech Co., Ltd. (the “Company”) is a listed company established in September 1981. It manufactures and sells embedded computing boards, industrial automation products, applied computers 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 survivor entity, the Company assumed all assets and liabilities of AIMS. On June 26, 2014, the Company’s board of directors resolved to have a whale-minnow merger with Netstar Technology Co., Ltd. (Netstar), an indirect 95.51%-owned subsidiary through a wholly-owned subsidiary, Advantech Corporate Investment. The effective merger date was July 27, 2014. As the survivor entity, the Company assumed all assets and liabilities of Netstar.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors July 29, 2016.

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

The take effect from January 1, 2017 apply version IFRS, IAS, IFRIC and SIC endorsed by the FSC.

Rule No. 1050026834 issued by the FSC, should apply the January 1, 2017 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

a. Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within (Level 2/Level 3), the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The aforementioned amendment will be adjusted retrospectively on January 1, 2017.

b. IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

c. Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. Share-based Payment Transactions submit to market price conditions, non-market price conditions and non-vesting conditions will apply to different accounting treatments. The aforementioned amendment are expected to effects share-based Payment transactions after 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The aforementioned amendment applies to business combinations with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. On 2017, the amendments to IFRS 8 are effective, additional standard will be illustrated for judgmental reference.

On 2017, the amendments to IFRS 13 are effective, short-term receivables and payables with no stated interest rate should be measured at their invoice amounts if the effect of discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

d. Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3 and IFRS 13, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. The aforementioned amendment is applied prospectively in 2017.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

- e. Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- 1) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- 2) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of amended IFRS applied on 2017 will have on the financial position and financial performance of each period, and will disclose the relevant impact when the assessment is completed.

The International Financial Reporting Standards (IFRS) in issue but not yet endorsed by the FSC.

The Group has not applied the following IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC.

In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new standards and interpretations.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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

a. IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

Impairment of financial assets

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

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

b. IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

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

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

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

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

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

- d. IFRS 16 “Leases”

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

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

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

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

e. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

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 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 consolidation

Refer to Note 12, Table 8 and Table 10 for detailed information of subsidiaries (included the percentage of ownership and main business).

c. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2015.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the Group's consolidated financial statements for the year ended December 31, 2015 for significant accounting judgments and estimates and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	\$ 65,489	\$ 65,144	\$ 62,838
Checking accounts and demand deposits	3,231,514	4,144,007	3,406,884
Time deposits with original maturities of less than three months	<u>212,256</u>	<u>149,108</u>	<u>3,714</u>
	<u>\$ 3,509,259</u>	<u>\$ 4,358,259</u>	<u>\$ 3,473,436</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets held for trading - current</u>			
Derivative financial assets			
Forward exchange contracts	\$ 20,170	\$ 7,391	\$ 1,939
Nonderivative financial assets			
Domestic quoted shares	142,166	67,554	93,107
Foreign quoted shares	<u>57,086</u>	<u>101,444</u>	<u>101,490</u>
	<u>\$ 219,422</u>	<u>\$ 176,389</u>	<u>\$ 196,536</u>

Financial liabilities held for trading - current

Derivative financial liabilities			
Forward exchange contracts	<u>\$ 8,179</u>	<u>\$ 6,352</u>	<u>\$ 13,091</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>June 30, 2016</u>			
Sell	EUR/NTD	2016.07-2016.11	EUR7,500/NTD275,464
	EUR/USD	2016.07-2016.11	EUR9,000/USD10,214
	USD/NTD	2016.07-2016.11	USD11,372/NTD367,787
	JPY/NTD	2016.07-2016.12	JPY280,000/NTD83,646
	JPY/USD	2016.07-2016.09	JPY130,000/USD1,154
	RMB/NTD	2016.07-2016.09	RMB80,000/NTD393,709

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2015</u>			
Sell	EUR/NTD	2016.01-2016.04	EUR5,000/NTD179,073
	EUR/USD	2016.01-2016.04	EUR6,500/USD7,102
	USD/NTD	2016.01-2016.02	USD1,499/NTD49,190
	JPY/NTD	2016.01-2016.05	JPY200,000/NTD53,236
	JPY/USD	2016.01-2016.05	JPY70,000/USD582
	RMB/NTD	2016.01-2016.03	RMB64,000/NTD321,201
	RMB/USD	2016.01-2016.02	RMB15,000/USD2,323
<u>June 30, 2015</u>			
Sell	EUR/NTD	2015.07-2015.10	EUR11,500/NTD391,142
	EUR/USD	2015.07-2015.08	EUR1,000/USD1,115
	USD/NTD	2015.07-2015.09	USD4,615/NTD141,625
	JPY/USD	2015.12	JPY10,000/USD81
	JPY/NTD	2015.07-2015.12	JPY300,000/NTD76,483
	RMB/NTD	2015.07-2015.09	RMB81,000/NTD399,739
			(Concluded)

The Company entered into forward exchange contracts during the six months ended June 30, 2016 and 2015 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities. The Company's financial hedging strategy is to minimize risks due to market price fluctuations and cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Current</u>			
Domestic investments			
Mutual funds	\$ 3,044,922	\$ 1,271,302	\$ 4,051,678
Quoted shares	538,010	484,541	575,144
Foreign investments			
Investment products denominated in RMB	_____ -	_____ -	_____ 944,872
	<u>\$ 3,582,932</u>	<u>\$ 1,755,843</u>	<u>\$ 5,571,694</u>
<u>Noncurrent</u>			
Domestic investments			
Quoted shares	\$ 1,672,650	\$ 1,704,966	\$ 1,940,676
Unlisted shares	9,375	9,375	9,375
Foreign investments			
Unlisted foreign shares	_____ 33,257	_____ 33,257	_____ 33,257
	<u>\$ 1,715,282</u>	<u>\$ 1,747,598</u>	<u>\$ 1,983,308</u>

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. As of June 30, 2016, December 31, 2015 and June 30, 2015, the stocks held in trust amounted to \$1,240,815 thousand, \$1,276,400 thousand and \$1,611,887 thousand, respectively. Refer to Table 3 for more information. On the transactions, the Group recognized gains of \$55 thousand and \$1 thousand in the six months ended June 30, 2016 and 2015, respectively. These gains were recorded under other nonoperating income.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits with original maturities of more than three months	<u>\$ 8,111</u>	<u>\$ 3,171</u>	<u>\$ 20,703</u>

10. NOTES AND ACCOUNTS RECEIVABLE

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable (include related parties)	<u>\$ 830,722</u>	<u>\$ 970,722</u>	<u>\$ 718,428</u>
Accounts receivable	\$ 6,406,321	\$ 5,577,733	\$ 5,856,449
Less: Allowance for impairment loss	<u>(131,381)</u>	<u>(149,159)</u>	<u>(143,963)</u>
	<u>\$ 6,274,940</u>	<u>\$ 5,428,574</u>	<u>\$ 5,712,486</u>

Accounts Receivable

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

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

The aging of receivables was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Not overdue	\$ 5,661,495	\$ 4,457,975	\$ 4,906,513
Overdue			
1 to 90 days	636,820	909,380	758,853
91 to 360 days	92,047	131,727	110,956
Over 360 days	<u>15,959</u>	<u>78,651</u>	<u>80,127</u>
	<u>\$ 6,406,321</u>	<u>\$ 5,577,733</u>	<u>\$ 5,856,449</u>

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
1 to 30 days	\$ 558,404	\$ 714,634	\$ 637,099
31 to 60 days	64,303	139,362	73,866
61 to 90 days	<u>14,113</u>	<u>55,384</u>	<u>47,888</u>
	<u>\$ 636,820</u>	<u>\$ 909,380</u>	<u>\$ 758,853</u>

The above aging schedule was based on the past due dates.

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, 2015	\$ 19,802	\$ 130,200	\$ 150,002
Add: Impairment losses recognized on receivables	1,295	5,343	6,638
Deduct: Amounts written off during the period as uncollectible	-	(6,940)	(6,940)
Foreign exchange translation losses	<u>-</u>	<u>(5,737)</u>	<u>(5,737)</u>
Balance at June 30, 2015	<u>\$ 21,097</u>	<u>\$ 122,866</u>	<u>\$ 143,963</u>
Balance at January 1, 2016	\$ 17,569	\$ 131,590	\$ 149,159
Add: Impairment losses recognized on receivables	-	(10,841)	(10,841)
Deduct: Amounts written off during the period as uncollectible	(13,632)	(3,607)	(17,239)
Impairment losses recognized from business combination	-	11,918	11,918
Foreign exchange translation losses	<u>-</u>	<u>(1,616)</u>	<u>(1,616)</u>
Balance at June 30, 2016	<u>\$ 3,937</u>	<u>\$ 127,444</u>	<u>\$ 131,381</u>

11. INVENTORIES

	June 30, 2016	December 31, 2015	June 30, 2015
Raw materials	\$ 1,804,875	\$ 1,489,432	\$ 1,741,583
Work in process	976,364	974,373	968,881
Finished goods	1,693,240	1,875,649	1,577,299
Inventories in transit	<u>516,483</u>	<u>529,406</u>	<u>392,132</u>
	<u>\$ 4,990,962</u>	<u>\$ 4,868,860</u>	<u>\$ 4,679,895</u>

The costs of inventories recognized as costs of goods sold for the three months ended June 30, 2016 and 2015 were \$6,338,197 thousand and \$5,925,185 thousand, respectively, and for the six months ended June 30, 2016 and 2015 were \$12,156,221 thousand and \$11,037,055 thousand, respectively.

The costs of inventories were decreased by \$541,090 thousand, \$443,926 thousand and \$444,389 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively when stated at the lower of cost or net realizable values.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities include in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			June 30, 2016	December 31, 2015	June 30, 2015	
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	
	Advanix Corporation (formerly Advansus Corp.)	Production and sale of industrial automation products	100.00	100.00	100.00	a)
	Advantech Corporate Investment	Investment holding company	100.00	100.00	100.00	a)
	AEUH	Investment and management service	100.00	100.00	100.00	
	ASG	Sale of industrial automation products	100.00	100.00	100.00	a)
	AAU	Sale of industrial automation products	100.00	100.00	100.00	a)
	AJP	Sale of industrial automation products	100.00	100.00	100.00	a)
	AMY	Sale of industrial automation products	100.00	100.00	100.00	a)
	AKR	Sale of industrial automation products	100.00	100.00	100.00	a)
	ABR	Sale of industrial automation products	80.00	80.00	80.00	a)
	ACA	Production and sale of portable industrial automation products	100.00	100.00	100.00	a)
	AIN	Sale of industrial automation products	99.99	99.99	99.99	a)
	AdvanPOS	Production and sale of POS system	100.00	100.00	84.01	a), c)
	ALNC	Production and sale of machines with computerized numerical control	90.00	89.93	89.93	a), d)
	AMX	Sale of industrial automation products	100.00	100.00	100.00	a)
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a)
	Advantech iFactory Co., Ltd.	Cybernation equipment manufacturing	100.00	100.00	100.00	a)
	B+B	Sale of industrial network communications systems	60.00	-	-	e)
Advantech Corporate Investment	AiST	Design, develop and sale of intelligent service	100.00	100.00	100.00	a)
	Cermate	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a)
ATC	ATC (HK)	Investment and management service	100.00	100.00	100.00	
ATC (HK)	AKMC	Production and sale of components of industrial automation products	100.00	100.00	100.00	
	Yeh-Chiang Technology Kun Shan Co., Ltd.	Production and sale of industrial automation products	100.00	-	-	g)
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	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			June 30, 2016	December 31, 2015	June 30, 2015	
ANA	B+B	Sale of industrial network communications	40.00	-	-	e)
AAC (HK)	ACN	Sale of industrial automation products	100.00	100.00	100.00	
	AISC	Production and sale of industrial automation products	100.00	100.00	100.00	b)
	AXA	Development and production of software products	100.00	100.00	100.00	
ACN	Hangzhou Advantofine Automation Co., Ltd.	Processing and sale of industrial automation products	100.00	60.00	60.00	f)
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	51.00	51.00	51.00	a)
	AID	Sale of industrial automation products	100.00	100.00	100.00	a)
Cermate	Land Mark	General investment	100.00	100.00	100.00	a)
Land Mark	Cermate (Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a)
	Cermate (Shenzhen)	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a)
AdvanPOS	Bright Mind Ltd.	General investment	-	100.00	100.00	a), h)
Bright Mind Ltd.	AdvanPOS Shanghai	Production and sale of POS system	-	100.00	100.00	a), h)
ALNC	Better Auto	General investment	100.00	100.00	100.00	a)
Better Auto	Famous Now Limited	General investment	100.00	100.00	100.00	a)
Famous Now Limited	Dongguan Pou Yuen Digital Technology Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a)
B+B	BBi	Sale of industrial network communications systems	100.00	-	-	e)
	Quatech	Sale of industrial network communications systems	100.00	-	-	e)
	IMC	Sale of industrial network communications systems	100.00	-	-	e)
BBi	BBE	Sale of industrial network communications systems	100.00	-	-	e)
	B+B (CZ) (formerly Conel)	Manufacturing of cellular and automation solution	99.99	-	-	e)
	Conel Automation (formerly Softcon)	Sale of industrial network communications systems	1.00	-	-	e)
BBE	B+B (CZ)	Manufacturing of cellular and automation solution	0.01	-	-	e)
B+B (CZ)	Conel Automation	Sale of industrial network communications systems	99.00	-	-	e)

(Concluded)

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

Remark b: As of January 1, 2016, AiSC was no longer a significant subsidiary, and its financial statements for the six months ended June 30, 2016 had not been reviewed.

Remark c: In the third quarters of 2015, the Company subscribed for an additional 3,268 thousand shares of AdvanPOS, and the Company's equity increased from 84.01% to 100%.

Remark d: In the first quarter of 2016, the Company bought back employee share pertaining to a 0.07% equity in ALNC, increasing the Company's interest in ALNC from 89.93% to 90%.

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

Remark f: In the first quarter of 2016, ACN acquired 40% equity of Hangzhou Advantofine Automation Co., Ltd., which led ACN's equity investment in the above subsidiary increased from 60% to 100%.

Remark g: In the second quarter of 2016, ATC in issuance of common stock for cash to ATC (HK) acquired 100% equity of Yeh-Chiang Technology Kun Shan Co., Ltd.

Remark h: In the second quarter of 2016, Bright Mind Ltd. and AdvanPOS Shanghai processed liquidation, which were not included in consolidated financial statement.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. (Axiomtek)	\$ 409,659	\$ 450,246	\$ 375,963
Unlisted companies			
AIMobile Co., Ltd. (AIMobile)	131,313	-	-
Deneng Scientific Research Co., Ltd. (Deneng)	17,284	18,228	17,907
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	<u>8,743</u>	<u>9,510</u>	<u>9,710</u>
	<u>\$ 566,999</u>	<u>\$ 477,984</u>	<u>\$ 403,580</u>

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

Fair value (Level 1) of investments in associates with available published price quotation are summarized follows:

Name of Associate	June 30, 2016	December 31, 2015	June 30, 2015
Axiomtek	<u>\$ 1,330,861</u>	<u>\$ 1,287,732</u>	<u>\$ 1,378,099</u>

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

Except for Axiomtek, investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been unreviewed.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2015	\$ 3,065,315	\$ 5,320,186	\$ 1,554,609	\$ 757,649	\$ 1,364,432	\$ 40,886	\$ 12,103,077
Additions	-	82,545	26,215	28,270	115,082	468,621	720,733
Disposals	-	-	(37,777)	(7,887)	(32,429)	-	(78,093)
Reclassifications	-	(5,438)	27,063	(1,845)	25,402	(16,765)	28,417
Effect of exchange differences	<u>(6,678)</u>	<u>(74,301)</u>	<u>(15,912)</u>	<u>(19,779)</u>	<u>(26,320)</u>	<u>(367)</u>	<u>(143,357)</u>
Balance at June 30, 2015	<u>\$ 3,058,637</u>	<u>\$ 5,322,992</u>	<u>\$ 1,554,198</u>	<u>\$ 756,408</u>	<u>\$ 1,446,167</u>	<u>\$ 492,375</u>	<u>\$ 12,630,777</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015	\$ -	\$ 899,536	\$ 1,044,178	\$ 490,419	\$ 792,338	\$ -	\$ 3,226,471
Disposals	-	-	(36,903)	(7,211)	(13,046)	-	(57,160)
Depreciation expense	-	79,113	66,770	47,402	86,770	-	280,055
Reclassifications	-	(857)	1	(5,399)	2,427	-	(3,828)
Effect of exchange differences	<u>-</u>	<u>(17,703)</u>	<u>(8,926)</u>	<u>(14,496)</u>	<u>(15,365)</u>	<u>-</u>	<u>(56,490)</u>
Balance at June 30, 2015	<u>\$ -</u>	<u>\$ 960,089</u>	<u>\$ 1,065,120</u>	<u>\$ 510,715</u>	<u>\$ 853,124</u>	<u>\$ -</u>	<u>\$ 3,389,048</u>
Carrying amounts at June 30, 2015	<u>\$ 3,058,637</u>	<u>\$ 4,362,903</u>	<u>\$ 489,078</u>	<u>\$ 245,693</u>	<u>\$ 593,043</u>	<u>\$ 492,375</u>	<u>\$ 9,241,729</u>

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2016	\$ 3,068,264	\$ 5,348,990	\$ 1,533,640	\$ 770,295	\$ 1,533,038	\$ 915,128	\$ 13,169,355
Additions	-	577	20,557	24,595	45,276	564,610	655,615
Disposals	(172,299)	(94,908)	(13,292)	(15,254)	(20,619)	-	(316,372)
Acquisition through business combination	12,644	308,798	84,400	89,771	25,390	-	521,003
Reclassifications	-	2,700	1,433	(229)	8,772	(26,811)	(14,135)
Effect of exchange differences	(2,601)	(84,185)	(18,011)	(10,405)	(23,265)	(68)	(138,535)
Balance at June 30, 2016	<u>\$ 2,906,008</u>	<u>\$ 5,481,972</u>	<u>\$ 1,608,727</u>	<u>\$ 858,773</u>	<u>\$ 1,568,592</u>	<u>\$ 1,452,859</u>	<u>\$ 13,876,931</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2016	\$ -	\$ 1,046,061	\$ 1,063,028	\$ 545,767	\$ 937,620	\$ -	\$ 3,592,476
Disposals	-	(16,148)	(11,287)	(13,381)	(14,983)	-	(55,799)
Depreciation expense	-	80,548	65,262	50,932	95,075	-	291,817
Acquisition through business combination	-	88,296	61,837	82,180	4,771	-	237,084
Reclassifications	-	188	-	(1,538)	(276)	-	(1,626)
Effect of exchange differences	-	(20,887)	(11,128)	(8,115)	(13,241)	-	(53,371)
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 1,178,058</u>	<u>\$ 1,167,712</u>	<u>\$ 655,845</u>	<u>\$ 1,008,966</u>	<u>\$ -</u>	<u>\$ 4,010,581</u>
Carrying amounts at June 30, 2016	<u>\$ 2,906,008</u>	<u>\$ 4,303,914</u>	<u>\$ 441,015</u>	<u>\$ 202,928</u>	<u>\$ 559,626</u>	<u>\$ 1,452,859</u>	<u>\$ 9,866,350</u>

(Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over the following economic lives:

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

15. GOODWILL

	For the Six Months Ended June 30	
	2016	2015
<u>Cost</u>		
Balance at January 1	\$ 1,139,559	\$ 1,168,727
Additional amounts recognized from business combinations during the period (Note 25)	2,311,181	-
Effect of exchange differences	(50,956)	(43,595)
Balance at June 30	<u>\$ 3,399,784</u>	<u>\$ 1,125,132</u>

16. PREPAYMENTS FOR LEASE OBLIGATION

	June 30, 2016	December 31, 2015	June 30, 2015
Current assets (included in other current assets)	\$ 9,397	\$ 2,557	\$ 2,546
Noncurrent assets	<u>345,986</u>	<u>100,875</u>	<u>92,987</u>
	<u>\$ 355,383</u>	<u>\$ 103,432</u>	<u>\$ 95,533</u>

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

17. BORROWINGS

Short-term Borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured borrowings			
Line of credit borrowings	<u>\$ 484,125</u>	<u>\$ 880,625</u>	<u>\$ 115,000</u>

The weighted average effective interest rates on bank loans were 1.15%, 1.28%-1.84% and 1.31%-1.32% per annum as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

18. OTHER LIABILITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Other payables			
Payable for salaries or bonuses	\$ 2,143,352	\$ 2,167,475	\$ 1,971,429
Payable for employee benefits	145,015	138,206	129,519
Payable for royalties	120,379	105,186	45,494
Others (Note)	<u>946,929</u>	<u>969,450</u>	<u>979,411</u>
	<u>\$ 3,355,675</u>	<u>\$ 3,380,317</u>	<u>\$ 3,125,853</u>

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

19. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,391 thousand, \$1,348 thousand, \$2,782 thousand and \$2,753 thousand for the three months and six months ended June 30, 2016 and 2015, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014.

20. EQUITY

a. Share capital

Ordinary shares

	June 30, 2016	December 31, 2015	June 30, 2015
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Amount of shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>631,853</u>	<u>631,853</u>	<u>631,690</u>
Amount of shares issued and fully paid	<u>\$ 6,318,531</u>	<u>\$ 6,318,531</u>	<u>\$ 6,316,906</u>

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

For the year ended December 31, 2015, changes in shares are due to employees' exercise of their employee share options.

b. Capital surplus

	June 30, 2016	December 31, 2015	June 30, 2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Arising from issuance of common shares	\$ 3,396,888	\$ 3,396,888	\$ 3,396,888
Arising from conversion of bonds	931,849	931,849	931,849
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interest in subsidiaries (2)	4,246	4,246	4,246
Arising from employee share options	792,341	792,341	779,913
Arising from distribution of stock dividends	78,614	78,614	78,614
<u>May not be used for any purpose</u>			
Arising from share of changes in capital surplus of associates	14,879	12,698	10,653
Arising from employee share options	<u>501,858</u>	<u>370,919</u>	<u>246,380</u>
	<u>\$ 5,720,675</u>	<u>\$ 5,587,555</u>	<u>\$ 5,448,543</u>

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

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

c. Retained earnings and dividend policy

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

Under the dividend 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 to directors and supervisors before and after amendment, please refer to c Employee benefits expense in Note 21.

The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. The policy also requires that stock 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.

Any appropriations from earnings should be recorded in the year of shareholders' approval, following the year the earnings were generated.

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

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", the Company should appropriate or reverse to a special reserve.

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

The appropriation of earnings, for 2015 and 2014 have been approved in the shareholders' meetings on May 25, 2016 and May 28, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31		For the Year Ended	
	2015	2014	2015	2014
Legal reserve	\$ 510,434	\$ 490,778	\$ -	\$ -
Cash dividends	3,791,118	3,787,255	6.0	6.0

d. Other equity items

1) Exchange difference arising on translating the financial statements of foreign operations

	For the Six Months Ended	
	June 30	
	2016	2015
Balance at January 1	\$ 271,859	\$ 338,356
Exchange differences on translating the net assets of foreign operations	(194,451)	(327,825)
Related income tax	33,448	56,597
Share of exchange difference of associates accounted for using the equity method	<u>(2,301)</u>	<u>(5,095)</u>
Balance at June 30	<u>\$ 108,555</u>	<u>\$ 62,033</u>

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

	For the Six Months Ended June 30	
	2016	2015
Balance at January 1	\$ 68,265	\$ 563,277
Unrealized gain on revaluation of available-for-sale financial assets	46,253	14,973
Cumulative gain reclassified to profit on disposal of available-for-sale financial assets	<u>(5,210)</u>	<u>(161,154)</u>
Balance at June 30	<u><u>\$ 109,308</u></u>	<u><u>\$ 417,096</u></u>

e. Non-controlling interests

	For the Six Months Ended June 30	
	2016	2015
Balance at January 1	\$ 146,276	\$ 187,000
Attributable to non-controlling interests:		
Share of profit for the period	9,479	4,118
Exchange difference arising on translation of foreign entities	(11,011)	(13,989)
Non-controlling interests arising from acquisition of subsidiaries (Note 26)	<u>(9,422)</u>	<u>(21,716)</u>
Balance at June 30	<u><u>\$ 135,322</u></u>	<u><u>\$ 155,413</u></u>

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest on bank loans	<u>\$ 1,315</u>	<u>\$ 1,195</u>	<u>\$ 3,397</u>	<u>\$ 2,046</u>

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Property, plant and equipment	\$ 143,090	\$ 140,155	\$ 291,817	\$ 280,055
Intangible assets	<u>62,306</u>	<u>10,244</u>	<u>181,525</u>	<u>41,637</u>
	<u><u>\$ 205,396</u></u>	<u><u>\$ 150,399</u></u>	<u><u>\$ 473,342</u></u>	<u><u>\$ 321,692</u></u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
An analysis of depreciation by function				
Operating costs	\$ 34,362	\$ 33,001	\$ 69,624	\$ 64,598
Operating expenses	<u>108,728</u>	<u>107,154</u>	<u>222,193</u>	<u>215,457</u>
	<u>\$ 143,090</u>	<u>\$ 140,155</u>	<u>\$ 291,817</u>	<u>\$ 280,055</u>
An analysis of amortization by function				
Operating costs	\$ 37	\$ 72	\$ 74	\$ 172
Selling and market expenses	24	66	48	145
General and administrative expenses	54,664	3,268	166,762	28,067
Research and development expenses	<u>7,581</u>	<u>6,838</u>	<u>14,641</u>	<u>13,253</u>
	<u>\$ 62,306</u>	<u>\$ 10,244</u>	<u>\$ 181,525</u>	<u>\$ 41,637</u>
				(Concluded)

c. Employee benefit expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term benefits	\$ 1,939,136	\$ 1,680,580	\$ 3,857,873	\$ 3,342,430
Post-employment benefits				
Defined contribution plans	71,189	64,862	148,386	130,583
Defined benefit plans (Note 19)	<u>1,391</u>	<u>1,348</u>	<u>2,782</u>	<u>2,753</u>
	72,580	66,210	151,168	133,336
Share-based payments				
Equity-settled	65,470	65,470	130,939	130,939
Other employee benefits	<u>119,937</u>	<u>172,008</u>	<u>279,558</u>	<u>286,445</u>
Total employee benefits expense	<u>\$ 2,197,123</u>	<u>\$ 1,984,268</u>	<u>\$ 4,419,538</u>	<u>\$ 3,893,150</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 446,218	\$ 400,685	\$ 911,103	\$ 830,888
Operating expenses	<u>1,750,905</u>	<u>1,583,583</u>	<u>3,508,435</u>	<u>3,062,262</u>
	<u>\$ 2,197,123</u>	<u>\$ 1,984,268</u>	<u>\$ 4,419,538</u>	<u>\$ 3,893,150</u>

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to the Company's Articles on May 25 2016; the amendments stipulate distribution of employees' compensation at rates no less than 1% and no higher than 20%, and remuneration to directors and supervisors at the rates no higher than 1%, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors.

The Articles before the amendment stipulated to distribute bonus to employees at the rates no less than 1% and no higher than 20% and remuneration to directors and supervisors at the rates no higher than 1%, of net income. For the three months and six months ended June 30, 2015, the bonus to employees and the remuneration to directors and supervisors were accrued of net profit after income tax.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Employees' compensation	<u>\$ 50,000</u>	<u>\$ 12,000</u>	<u>\$ 100,000</u>	<u>\$ 44,000</u>
Remuneration of directors and supervisors	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>

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

The appropriations of employees' compensation and remuneration to directors and supervisors for 2015 were resolved by the board of directors on March 4, 2016, and the appropriations of bonus to employees and remuneration to directors and supervisors for 2014 were approved in the shareholders' meeting on May 28, 2015. The amounts of the employees' compensation/bonus and remuneration to directors and supervisors are disclosed on the table below. After the amendments to the Articles had been resolved in the shareholders' meeting held on May 25, 2016, the appropriations of the employees' compensation and remuneration to directors and supervisors for 2015 were reported in the shareholders' meeting.

	For the Year Ended December 31	
	2015	2014
	Cash	Cash Bonus
Bonus to employees and employees' compensation	\$ 200,000	\$ 126,000
Remuneration of directors and supervisors	12,000	12,000

There was no difference between the amounts of the employees' compensation and the remuneration to directors and supervisors resolved by the board of directors on March 4, 2016 and the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on May 28, 2015, and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014.

Information on employees' compensation and remuneration to directors and supervisors for 2015 resolved by the Company's board of directors in 2016 and bonuses to employees and supervisors for 2014 resolved by the shareholders' meetings in 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Foreign exchange gains	\$ 110,511	\$ 205,026	\$ 452,985	\$ 502,456
Foreign exchange losses	<u>(144,515)</u>	<u>(237,264)</u>	<u>(535,480)</u>	<u>(675,828)</u>
Net losses	<u>\$ (34,004)</u>	<u>\$ (32,238)</u>	<u>\$ (82,495)</u>	<u>\$ (173,372)</u>

22. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current tax				
In respect of current period	\$ 239,249	\$ 174,287	\$ 518,929	\$ 443,730
Income tax expense for unappropriated earnings	71,661	62,541	71,661	62,541
Adjustments for prior periods	-	(10,381)	-	(11,475)
Deferred tax				
In respect of current periods	<u>47,801</u>	<u>65,453</u>	<u>85,287</u>	<u>71,263</u>
Income tax expense recognized in loss	<u>\$ 358,711</u>	<u>\$ 291,900</u>	<u>\$ 675,877</u>	<u>\$ 566,059</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
<u>Deferred tax</u>				
In respect of current period				
Translation of foreign operations	<u>\$ 20,492</u>	<u>\$ 15,609</u>	<u>\$ 33,448</u>	<u>\$ 56,597</u>

c. Integrated income tax

	June 30, 2016	December 31, 2015	June 30, 2015
Unappropriated earnings			
Generated on and after January 1, 1998	<u>\$ 5,569,394</u>	<u>\$ 7,098,449</u>	<u>\$ 4,577,900</u>
Imputation credits accounts	<u>\$ 983,984</u>	<u>\$ 608,917</u>	<u>\$ 256,100</u>
		For the Year Ended December 31	
		2015 (Expected)	2014

Creditable ratio for distribution of earnings	13.86%	13.14%
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d. Income tax assessments

The Company's tax returns through 2011 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2008 and 2009 tax returns and applied for reexamination. Nevertheless, to be conservative, the Company provided for the income tax assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Basic earnings per share	<u>\$ 2.32</u>	<u>\$ 2.10</u>	<u>\$ 4.39</u>	<u>\$ 4.01</u>
Diluted earnings per share	<u>\$ 2.31</u>	<u>\$ 2.10</u>	<u>\$ 4.38</u>	<u>\$ 4.00</u>

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Earnings used in the computation of basic earnings per share	<u>\$ 1,464,273</u>	<u>\$ 1,327,917</u>	<u>\$ 2,776,188</u>	<u>\$ 2,534,787</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,464,273</u>	<u>\$ 1,327,917</u>	<u>\$ 2,776,188</u>	<u>\$ 2,534,787</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	631,853	631,537	631,853	631,439
Effect of potentially dilutive ordinary shares:				
Employee share option	1,810	1,065	1,810	1,143
Employees' compensation	<u>898</u>	<u>603</u>	<u>672</u>	<u>714</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>634,561</u>	<u>633,205</u>	<u>634,335</u>	<u>633,296</u>

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

24. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 5,000 options in August 2014 and 3,000 options in July 2010. Each option entitles the holder to subscribe for one thousand common 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 on August 2014 and July 2010 are valid for six and five years, respectively. All are exercisable at certain percentages after the second anniversary year from the grant date. Options granted in 2010 had an exercise price equal to the closing price of the Company's common shares listed on the grant date, and the exercise price of those granted in 2014 was NT\$100 per share. For any subsequent changes in the Company's paid-in capital, the exercise price and the number of options will be adjusted accordingly.

No employee share options were issued for the six months ended June 30, 2016 and 2015. Information on employee share options was as follows:

	For the Six Months Ended June 30			
	2016		2015	
Employee Share Options	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	5,000	\$ 100.00	5,644	\$ 94.10
Options exercised	-	-	(482)	48.23
Balance at June 30	<u>5,000</u>	100.00	<u>5,162</u>	98.33
Options exercisable, end of the period	<u>-</u>	-	<u>162</u>	47.10

The weighted-average share price at the date of exercise of share options exercised for the six months ended June 30, 2015 was from \$198 to \$278.

Information about outstanding options for the six months ended June 30, 2016 and 2015 was as follows:

	For the Six Months Ended June 30			
	2016		2015	
Employee Share Options	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2014	\$ 100.00	4.13	\$ 100.00	5.13
Issuance in 2010	-	-	48.30	0.03

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

	2014	2010
Grant-date share price (NT\$)	\$239.5	\$67.4
Exercise price (NT\$)	\$100	\$67.4
Expected volatility	28.28%-29.19%	34.11%-35.15%
Expected life (years)	4-5.5 years	3.5-4.5 years
Expected dividend yield	0%	0%
Risk-free interest rate	1.07%-1.30%	0.92%-1.10%

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

Compensation costs recognized were both \$130,939 thousand for the six months ended June 30, 2016 and 2015.

Qualified employees of AdvanPOS, a subsidiary of the Company, were granted 800 options in December 2010. Each option entitles the holder to subscribe for one thousand common shares of AdvanPOS. These option were valid for two years. All were exercisable at certain percentages after the first anniversary year from the grant date. For the exercise of options, AdvanPOS issued new shares to the employees at NT\$10 per share.

Information on employee share options was as follows:

	For the Six Months Ended June 30, 2015	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Employee Share Options		
Balance at January 1	446	\$ 10.00
Options exercised	(423)	10.00
Options expired	<u>(23)</u>	-
Balance at June 30	<u><u>-</u></u>	-

Information on outstanding options for the six months ended June 30, 2015 was as follows:

	For the Six Months Ended June 30, 2015	
	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Employee Share Options		
Issuance in 2010	\$ 10.00	-

Options granted by AdvanPOS in 2014 were priced using the Black-Scholes model, and the inputs to the model were as follows:

	2010
Grant-date share price (NT\$)	\$12.39
Exercise price (NT\$)	\$10
Expected volatility	30.43%
Expected life (years)	2 years
Expected dividend yield	0%
Risk-free interest rate	1.345%

25. BUSINESS COMBINATION

a. Subsidiary acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
B+B SmartWorx, Inc. (Note)	Sale of industrial network communications	January 4, 2016	100	<u>\$ 3,296,048</u>
Yeh-Chiang Technology Kun Shan Co., Ltd.	Production and sale of industrial automation products	May 27, 2016	100	<u>\$ 459,648</u>

Note: For more information of B+B and its subsidiaries IMC, Quatech, BBI, BBE, B+B (CZ) (formerly Conel) and Conel Automation (formerly Softcon), please refer to Note 12, Table 8 and Table 10.

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

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

b. Considerations transferred

	B+B	Yeh-Chiang Kun Shan
Cash	<u>\$ 3,296,048</u> (US\$ 99,850 thousand)	<u>\$ 459,648</u> (CNY 92,758 thousand)

On January 4, 2016, the Group acquired 100% share equity of B+B and its subsidiaries from Graham Partners. The Company and ANA obtained 60% and 40% share equity of B+B, respectively.

On May 27, 2016, ATC acquired 100% share equity of Yeh-Chiang Kun Shan from Yeh-Chiang Technology (Cayman) Corp. The cash of acquisition was provided by capital increase from ATC.

Acquisition-related costs amounting to \$34,209 thousand were excluded from the consideration transferred and were recognized as current expenses under administrative expenses in the consolidated statement of comprehensive income.

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

	B+B	Yeh-Chiang Kun Shan
Current assets		
Trade receivables	\$ 211,332	\$ -
Inventories	301,938	-
Other current financial assets	33,010	-
Other receivables	-	4,366
Other current assets	30,446	19
Non-current assets		
Plant and equipment	133,033	150,886
Intangible assets	416,365	-
Deferred tax assets	35,125	7,648
Long-term prepayments for lease	-	262,212
Current liabilities		
Trade and other payables	(135,526)	(530)
Non-current liabilities		
Other liabilities	(10,730)	-
Deferred tax liabilities	<u>(30,126)</u>	<u>-</u>
	<u>\$ 984,867</u>	<u>\$ 424,601</u>

The initial accounting for the acquisition of B+B Limited had only been provisionally determined at the end of the reporting period. The tax bases for B+B's assets were required to be reset on the basis of the market values of the assets. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had not been completed and they were thus only provisionally determined on the basis of management's best estimate of the likely tax values.

d. Goodwill arising on acquisition

	B+B
Consideration transferred	\$ 3,296,048
Less: Fair value of identifiable net assets acquired	<u>(984,867)</u>
Goodwill arising on acquisition	<u>\$ 2,311,181</u>

Goodwill arose from the acquisition of B+B because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of B+B. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

Part amount of acquisition goodwill that was expected to be deductible for tax purposes would be amortized over 10 years.

e. Net cash outflow on acquisition of subsidiaries

	B+B	Yeh-Chiang Kun Shan
Consideration paid in cash	\$ 3,296,048	\$ 459,648
Less: Prepayments for investments	(2,279,881)	-
Less: Cash and cash equivalent balance acquired	-	(35,047)
Less: Investment payable (record under other payable)	<u>-</u>	<u>(21,260)</u>
	<u>\$ 1,016,167</u>	<u>\$ 403,341</u>

f. Impact of acquisitions on the results of the Group

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

	B+B	Yeh-Chiang Kun Shan
Revenue	<u>\$ 883,080</u>	<u>\$ -</u>
Loss	<u>\$ (28,247)</u>	<u>\$ (847)</u>

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- In the first half year of 2015, the Group subscribed for an additional 3,265 thousand shares of AdvanPOS, increasing the Group's equity interest from 69.47% to 84.01%. In the third quarters of 2015, the Group subscribed for an additional 3,268 thousand shares more of AdvanPOS, increasing the Group's equity interest from 84.01% to 100%.
- In the first quarter of 2016, the Group acquired 0.07% equity in ALNC, increasing the Group's equity interest from 89.93% to 90%.
- In the first quarter of 2016, the Group acquired 40% equity in Hanzhou Advantofine Automation Co., Ltd., increasing the Group's equity interest from 60% to 100%.

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

	For the Six Months Ended June 30, 2016		
	Hangzhou Advantofine Automation Co., Ltd.	ALNC	Total
Cash consideration paid	\$ (12,749)	\$ (364)	\$ (13,113)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>9,195</u>	<u>227</u>	<u>9,422</u>
Differences arising from equity transaction	<u>\$ (3,554)</u>	<u>\$ (137)</u>	<u>\$ (3,691)</u>
<u>Line items adjusted for equity transaction</u>			
Retained earnings	<u>\$ (3,554)</u>	<u>\$ (137)</u>	<u>\$ (3,691)</u>

	For the Six Months Ended June 30, 2015
	AdvanPOS
Cash consideration paid	\$ (65,300)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>21,716</u>
Differences arising from equity transaction	<u>\$ (43,584)</u>
<u>Line items adjusted for equity transaction</u>	
Capital surplus - difference between consideration received or paid and carrying amounts of the subsidiaries' net assets during actual disposal or acquisition	\$ (11,457)
Retained earnings	<u>(32,127)</u>
	<u>\$ (43,584)</u>
Capital surplus - changes in percentage of ownership interest in subsidiaries	<u>\$ 3,567</u>

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

June 30, 2016

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

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 7,391	\$ -	\$ 7,391
Non-derivative financial asset held for trading	<u>168,998</u>	<u>-</u>	<u>-</u>	<u>168,998</u>
	<u>\$ 168,998</u>	<u>\$ 7,391</u>	<u>\$ -</u>	<u>\$ 176,389</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,189,507	\$ -	\$ -	\$ 2,189,507
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	<u>1,271,302</u>	<u>-</u>	<u>-</u>	<u>1,271,302</u>
	<u>\$ 3,460,809</u>	<u>\$ -</u>	<u>\$ 42,632</u>	<u>\$ 3,503,441</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 6,352</u>	<u>\$ -</u>	<u>\$ 6,352</u>

June 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 1,939	\$ -	\$ 1,939
Non-derivative financial asset held for trading	<u>194,597</u>	<u>-</u>	<u>-</u>	<u>194,597</u>
	<u>\$ 194,597</u>	<u>\$ 1,939</u>	<u>\$ -</u>	<u>\$ 196,536</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,515,820	\$ -	\$ -	\$ 2,515,820
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	4,051,678	-	-	4,051,678
Investment products denominated in RMB	<u>-</u>	<u>-</u>	<u>944,872</u>	<u>944,872</u>
	<u>\$ 6,567,498</u>	<u>\$ -</u>	<u>\$ 987,504</u>	<u>\$ 7,555,002</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 13,091</u>	<u>\$ -</u>	<u>\$ 13,091</u>

As of June 30, 2016 and 2015, there were no transfers between Levels 1 and 2.

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

For the six months ended June 30, 2016

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

For the six months ended June 30, 2015

	Available-for-sale Financial Assets		Total
	Equity Instruments	Investment Products	
<u>Financial assets</u>			
Balance at January 1, 2015	\$ 42,632	\$ 947,116	\$ 989,748
Purchases	-	1,732,779	1,732,779
Disposal	-	(1,712,747)	(1,712,747)
Effect of foreign exchange	-	(22,276)	(22,276)
Balance at June 30, 2015	\$ 42,632	\$ 944,872	\$ 987,504

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

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

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

The fair values of investment products denominated in RMB 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. Had the inputs to the valuation model been changed to reflect reasonably possible alternative assumptions and had all the other variables been held constant, the fair value of the shares would have increased/decreased.

b. Categories of financial instruments

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading (Note 1)	\$ 219,422	\$ 176,389	\$ 196,536
Loans and receivables (Note 2)	10,860,090	10,828,312	10,069,449
Available-for-sale financial assets	5,298,214	3,503,441	7,555,002
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	8,179	6,352	13,091
Measured at amortized cost (Note 3)	11,171,033	7,487,011	10,601,609

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

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

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, dividends payables, and long-term payables.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

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

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Six Months Ended		For the Six Months Ended		For the Six Months Ended	
	June 30		June 30		June 30	
	2016	2015	2016	2015	2016	2015
Profit or loss	\$ 127,299 (Note 1)	\$ 44,058 (Note 1)	\$ 71,693 (Note 2)	\$ 29,629 (Note 2)	\$ 83,733 (Note 3)	\$ 14,867 (Note 3)

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

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

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

b) Interest rate risk

The Group's floating-rate bank savings are exposed to risk of changes in interest rates. The Group's management monitors fluctuations in market interest rates regularly to ensure that interest rate risks are minimized.

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value interest rate risk			
Financial assets	\$ 333,208	\$ 152,279	\$ 987,939
Financial liabilities	-	60,000	115,000
Cash flow interest rate risk			
Financial assets	2,779,122	2,817,236	3,152,194
Financial liabilities	484,125	820,625	-

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, 2016 and 2015 would have increased by \$5,737 thousand and \$7,880 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profits for the six months ended June 30, 2016 and 2015 would have increased by \$1,993 thousand and \$1,946 thousand, respectively, as a result of the changes in fair value of held-for-trading investments and the pre-tax other comprehensive income for the six months ended June 30, 2016 and 2015 would have increased by \$52,982 thousand and \$66,101 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

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

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

For the liabilities with floating interests, the undiscounted amounts were derived from the interest rate curve at the end of the reporting period.

June 30, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year- 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 5,080,475	\$ 4,580,244	\$ 1,026,189	\$ -
Variable interest rate liabilities	<u>466</u>	<u>931</u>	<u>485,387</u>	<u>-</u>
	<u>\$ 5,080,941</u>	<u>\$ 4,581,175</u>	<u>\$ 1,511,576</u>	<u>\$ -</u>

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year- 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,891,231	\$ 1,687,755	\$ 1,027,400	\$ -
Variable interest rate liabilities	1,258	2,516	831,583	-
Fixed interest rate liabilities	<u>64</u>	<u>60,070</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,892,553</u>	<u>\$ 1,750,341</u>	<u>\$ 1,858,983</u>	<u>\$ -</u>

June 30, 2015

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year- 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,896,207	\$ 5,431,465	\$ 1,121,747	\$ 37,190
Fixed interest rate liabilities	<u>10,125</u>	<u>105,044</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,906,332</u>	<u>\$ 5,536,509</u>	<u>\$ 1,121,747</u>	<u>\$ 37,190</u>

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

- b) The following tables show the Group's liquidity analysis of its derivative financial instruments. The tables were based on the undiscounted gross cash inflows and outflows on those derivative instruments that require gross settlement.

June 30, 2016

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

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 314,246	\$ 523,146	\$ 93,795	\$ 931,187
Outflows	<u>310,013</u>	<u>526,535</u>	<u>93,600</u>	<u>930,148</u>
	<u>\$ 4,233</u>	<u>\$ (3,389)</u>	<u>\$ 195</u>	<u>\$ 1,039</u>

June 30, 2015

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 287,500	\$ 735,918	\$ 22,386	\$1,045,804
Outflows	<u>291,015</u>	<u>743,073</u>	<u>22,868</u>	<u>1,056,956</u>
	<u>\$ (3,515)</u>	<u>\$ (7,155)</u>	<u>\$ (482)</u>	<u>\$ (11,152)</u>

c) Financing facilities

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured bank over draft facility, reviewed annually and payable at call:			
Amount used	\$ 484,125	\$ 880,625	\$ 115,000
Amount unused	<u>4,860,738</u>	<u>3,603,268</u>	<u>3,238,176</u>
	<u>\$ 5,344,863</u>	<u>\$ 4,483,893</u>	<u>\$ 3,353,176</u>

28. 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. Sales of goods

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Associates	<u>\$ 10,701</u>	<u>\$ 6,284</u>	<u>\$ 31,384</u>	<u>\$ 9,012</u>

b. Purchases of goods

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Associates	<u>\$ 3,782</u>	<u>\$ 7,834</u>	<u>\$ 6,788</u>	<u>\$ 12,927</u>

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

Line Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable from related parties	Associates	<u>\$ 7,340</u>	<u>\$ 26,775</u>	<u>\$ 5,376</u>
Notes receivable	Associates	<u>\$ 6</u>	<u>\$ 183</u>	<u>\$ -</u>

The outstanding trade receivables from related parties are unsecured. For the six months ended June 30, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

d. Other receivables from related parties

Accounts	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Other receivables from related parties	Associates	<u>\$ 88,313</u>	<u>\$ -</u>	<u>\$ 81,917</u>

- e. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Accounts payable	Associates	<u>\$ 1,637</u>	<u>\$ 1,171</u>	<u>\$ 2,752</u>

The outstanding accounts payable from related parties are unsecured.

- f. Other transactions with related parties

	Other Income			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Rental income				
Other related parties	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 30</u>	<u>\$ 20</u>
Other				
Other related parties	<u>\$ 675</u>	<u>\$ 675</u>	<u>\$ 1,351</u>	<u>\$ 1,361</u>

Lease contracts formed between the Company and its associates were based on market rental prices and had normal payment terms. There were no significant differences in the selling price and payment terms for related parties and those for unrelated parties. When normal payment terms with related parties were not stipulated, the payment terms were based on mutual agreement.

- g. Compensation of key management personnel

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 9,160	\$ 10,275	\$ 18,321	\$ 20,549
Post-employment benefits	29	30	57	59
Share-based payments	<u>6,547</u>	<u>6,547</u>	<u>13,094</u>	<u>13,094</u>
	<u>\$ 15,736</u>	<u>\$ 16,852</u>	<u>\$ 31,472</u>	<u>\$ 33,702</u>

The remuneration of directors and key executives was determined by the remuneration committee having regarded to the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

- As of June 30, 2015, the Company pledged time deposits of \$18,650 thousand for bank guarantees for the Company's purchases.
- As of June 30, 2016, B+B had pledged time deposits of \$112,841 thousand to get bank guarantees in line for the Company's merger transaction.

30. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2016 were as follows.

Significant Commitments

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Company had a construction contract amounting to \$1,627,500 thousand for a newly constructed science park located in Linkou in Taoyuan City. The remaining payables were \$159,546 thousand, \$701,927 thousand and \$1,142,171 thousand, respectively.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2016

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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 165,865	32.275 (USD:NTD)	\$ 5,353,293
RMB	358,405	4.8450 (RMB:NTD)	1,736,472
EUR	26,549	35.890 (EUR:NTD)	952,844
USD	10,229	6.6615 (USD:RMB)	<u>330,143</u>
			<u>\$ 8,372,752</u>
<u>Financial liabilities</u>			
Monetary items			
USD	96,044	32.275 (USD:NTD)	\$ 3,099,820
USD	26,336	6.6615 (USD:RMB)	849,992
RMB	92,759	4.8450 (RMB:NTD)	<u>449,417</u>
			<u>\$ 4,399,229</u>

December 31, 2015

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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 146,799	32.825 (USD:NTD)	\$ 4,818,677
RMB	328,441	4.9950 (RMB:NTD)	1,640,563
RMB	213,731	0.1522 (RMB:USD)	1,067,567
EUR	24,409	35.880 (EUR:NTD)	875,795
USD	5,064	6.5716 (USD:RMB)	<u>166,224</u>
			<u>\$ 8,568,826</u>

Nonmonetary items			
USD	3,763	32.825 (USD:NTD)	<u>\$ 123,296</u>

Financial liabilities

Monetary items			
USD	100,579	32.825 (USD:NTD)	\$ 3,301,506
RMB	207,665	4.9950 (RMB:NTD)	1,037,287
USD	25,988	6.5716 (USD:RMB)	853,056
RMB	62,341	0.1522 (RMB:USD)	<u>311,378</u>
			<u>\$ 5,503,227</u>

June 30, 2015

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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 126,101	30.860 (USD:NTD)	\$ 3,891,477
RMB	412,054	4.9730 (RMB:NTD)	2,049,145
RMB	295,489	0.1611 (RMB:USD)	1,469,461
EUR	24,540	34.460 (EUR:NTD)	845,648
USD	21,566	6.2055 (USD:RMB)	<u>665,527</u>
			<u>\$ 8,921,258</u>

Nonmonetary items			
USD	3,106	30.860 (USD:NTD)	<u>\$ 95,851</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 95,036	30.860 (USD:NTD)	\$ 2,932,811
RMB	289,262	4.9730 (RMB:NTD)	1,438,500
USD	36,355	6.2055 (USD:RMB)	1,121,914
RMB	90,481	0.1611 (RMB:USD)	<u>449,963</u>
			<u>\$ 5,943,188</u> (Concluded)

For the three months and six months ended June 30, 2016 and 2015, realized and unrealized net foreign exchange losses were \$34,004 thousand, \$32,238 thousand, \$82,495 thousand and \$173,372 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.

32. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)
- 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 7)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Transactions of financial instruments. (Notes 7 and 27)
- 10) Intercompany relationships and significant intercompany transactions (Table 11)
- 11) Information on investees. (Table 8)
- 12) Organization chart. (Table 10)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or losses, carrying amount of the investment at the end of the period, repatriations of investment gains, and limit on the amount of investment in the mainland China area. (Table 9)
- 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, 6 and 7)

33. SEGMENT INFORMATION

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

- Industrial internet of thing services: Focus on industry-driven services;
- Embedded board and design-in services: Services involving embedded boards, systems and peripheral hardware and software;
- Smart city solution services: Referring to integrated intelligent applications that can be used in various areas;
- Global customer services: Global repair, technical support and warranty services.

Segment Revenues and Results

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

	Industrial Interest of Thing Services	Embedded Boards and Design-in Services	Smart City Solution Services	Global Customer Services	Total
For the six months ended June 30, 2016					
Revenues from external customers	\$ 6,784,682	\$ 8,148,138	\$ 3,453,139	\$ 2,399,953	\$ 20,785,912
Inter-segment revenues	-	-	-	-	-
Segment revenues	<u>\$ 6,784,682</u>	<u>\$ 8,148,138</u>	<u>\$ 3,453,139</u>	<u>\$ 2,399,953</u>	<u>20,785,912</u>
Eliminations					-
Consolidated revenues					<u>20,785,912</u>
Segment income	<u>\$ 1,481,771</u>	<u>\$ 1,525,603</u>	<u>\$ 415,242</u>	<u>\$ 268,894</u>	3,691,510
Other revenues					38,049
Central administration costs and directors' salaries					(531,256)
Other income and expense					224,218
Finance costs					(3,397)
Share of profits of associates for using the equity method					<u>42,420</u>
Profit before tax					<u>\$ 3,461,544</u>

(Continued)

	Industrial Interest of Thing Services	Embedded Boards and Design-in Services	Smart City Solution Services	Global Customer Services	Total
For the six months ended <u>June 30, 2015</u>					
Revenues from external customers	\$ 5,651,256	\$ 7,585,926	\$ 3,418,871	\$ 2,155,561	\$ 18,811,614
Inter-segment revenues	-	76,906	-	-	76,906
Segment revenues	<u>\$ 5,651,256</u>	<u>\$ 7,662,832</u>	<u>\$ 3,418,871</u>	<u>\$ 2,155,561</u>	18,888,520
Eliminations					(76,906)
Consolidated revenues					<u>18,811,614</u>
Segment income	<u>\$ 1,246,723</u>	<u>\$ 1,269,016</u>	<u>\$ 377,110</u>	<u>\$ 269,353</u>	3,162,202
Other revenues					52,899
Central administration costs and directors' salaries					(178,809)
Other income and expense					28,336
Finance costs					(2,046)
Share of profits of associates for using the equity method					<u>42,382</u>
Profit before tax					<u>\$ 3,104,964</u> (Concluded)

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

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	Better Auto Holdings Limited (Better Auto)	Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	\$ 22,980 (RMB 4,520 thousand)	\$ 21,899 (RMB 4,520 thousand)	\$ 21,899 (RMB 4,520 thousand)	-	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 2,229,974 (Note C)	\$ 4,459,948 (Note C)
		Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	16,725 (US\$ 500 thousand)	16,138 (US\$ 500 thousand)	12,910 (US\$ 400 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)
2	Advantech Corporate Investment	The Company	Accounts receivable - related parties	Yes	500,000	500,000	400,000	1	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)
3	ACA	The Company	Accounts receivable - related parties	Yes	100,000	100,000	-	1	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)
4	ANA	B+B SmartWorx, Inc.	Accounts receivable - related parties	Yes	66,900 (US\$ 2,000 thousand)	64,550 (US\$ 2,000 thousand)	48,413 (US\$ 1,500 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)
5	B+B SmartWorx, Inc.	B+B (CZ) (formerly Conel s.r.o.)	Accounts receivable - related parties	Yes	133,408 (CZK 99,480 thousand)	41,880 (CZK 31,756 thousand)	22,098 (CZK 16,756 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)
6	B+B (CZ) (formerly Conel s.r.o.)	Conel Automation (formerly Softcon)	Accounts receivable - related parties	Yes	16,111 (CZK 12,000 thousand)	15,826 (CZK 12,000 thousand)	15,826 (CZK 12,000 thousand)	1	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)
7	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	15,252 (RMB 3,000 thousand)	14,535 (RMB 3,000 thousand)	-	-	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)
8	ALNC	Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	150,000	150,000	54,918	-	Short-term financing	-	Financing need	-	None	None	2,229,974 (Note C)	4,459,948 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of June 30, 2016 were US\$1=NT\$32.275, RMB1=NT\$4.845 and CZK1=NT\$1.3188.

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

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

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

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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	Advanixs Corporate (formerly Advansus Corp.)	Subsidiary	\$ 2,229,974	\$ 133,800 (US\$ 4,000 thousand)	\$ 129,100 (US\$ 4,000 thousand)	\$ -	\$ -	0.52	\$ 6,689,922	Y	N	N
			Subsidiary	2,229,974	52,184 (US\$ 1,600 thousand)	51,640 (US\$ 1,600 thousand)	-	-	0.21	6,689,922	Y	N	N
		ANA	Subsidiary	2,229,974	978,450 (US\$ 30,000 thousand)	968,250 (US\$ 30,000 thousand)	484,125 (US\$ 15,000 thousand)	-	3.91	6,689,922	Y	N	N
		B+B	Subsidiary	2,229,974	326,510 (US\$ 10,000 thousand)	322,750 (US\$ 10,000 thousand)	-	-	1.30	6,689,922	Y	N	N
		AKMC	Subsidiary	2,229,974	195,690 (US\$ 6,000 thousand)	193,650 (US\$ 6,000 thousand)	-	-	0.78	6,689,922	Y	N	Y
		ALNC	Subsidiary	2,229,974	114,153 (US\$ 3,500 thousand)	112,963 (US\$ 3,500 thousand)	-	-	0.46	6,689,922	Y	N	N
		ACA	Subsidiary	2,229,974	53,815 (US\$ 1,650 thousand)	53,254 (US\$ 1,650 thousand)	-	-	0.21	6,689,922	Y	N	N
		Cermate	Subsidiary	2,229,974	50,553 (US\$ 1,550 thousand)	50,026 (US\$ 1,550 thousand)	-	-	0.20	6,689,922	Y	N	N
		AiST	Subsidiary	2,229,974	4,892 (US\$ 150 thousand)	4,841 (US\$ 150 thousand)	-	-	0.02	6,689,922	Y	N	N
		AdvanPOS	Subsidiary	2,229,974	32,615 (US\$ 1,000 thousand)	32,275 (US\$ 1,000 thousand)	-	-	0.13	6,689,922	Y	N	N
		A-DLog	Subsidiary	2,229,974	36,300 (EUR 1,000 thousand)	35,890 (EUR 1,000 thousand)	-	-	0.14	6,689,922	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		ABR	Subsidiary	\$ 2,229,974	\$ 48,923 (US\$ 1,500 thousand)	\$ 48,413 (US\$ 1,500 thousand)	\$ -	\$ -	0.20	\$ 6,689,922	Y	N	N
		AAU	Subsidiary	2,229,974	6,523 (US\$ 200 thousand)	6,455 (US\$ 200 thousand)	-	-	0.03	6,689,922	Y	N	N
		AKR	Subsidiary	2,229,974	1,631 (US\$ 50 thousand)	1,614 (US\$ 50 thousand)	-	-	0.01	6,689,922	Y	N	N

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

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

Note C: The exchange rates as of June 30, 2016 were US\$1=NT\$32.275 and EUR1=NT\$35.89.

Note D: The latest net equity is from the financial statements for the three months ended March 31, 2016.

(Concluded)

TABLE 3**ADVANTECH CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****FOR THE SIX MONTHS ENDED JUNE 30, 2016****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,239,461	\$ 1,391,077	0.71	\$ 1,391,077	Notes A and C
	Pegatron Corp.	-	"	3,540,570	240,051	0.14	240,051	Notes A and D
	Allied Circuit Co., Ltd.	-	"	1,200,000	33,240	2.41	33,240	Note A
	<u>Fund</u>							
	Capital Money Market	-	Available for sale financial assets - current	43,870,410	700,229	-	700,229	Note B
	Mega Diamond Money Market	-	"	87,763,871	1,088,281	-	1,088,281	Note B
Advantech Corporate Investment	FSITC Money Market	-	"	147,937,626	400,030	-	400,030	Note B
	<u>Stock</u>							
	International Games System Co., Ltd.	-	Financial assets at fair value through profit or loss - current	55,000	14,685	0.08	14,685	Note A
	Bioteque Corporation Co., Ltd.	-	"	42,000	6,720	0.06	6,720	Note A
	Airtac International Group	-	"	25,000	5,975	0.01	5,975	Note A
	Cowearth Medical Holding Co., Ltd.	-	"	70,000	5,005	0.12	5,005	Note A
	Win Semiconductors Corp.	-	"	73,000	4,767	0.01	4,767	Note A
	Nien Made Enterprise Co., Ltd.	-	"	14,000	5,567	-	5,567	Note A
	Ennoconn Corporation	-	"	10,000	4,300	0.01	4,300	Note A
	OBI Pharma, Inc.	-	"	15,000	7,650	0.01	7,650	Note A
	MPI Corporation	-	"	50,000	4,220	0.06	4,220	Note A
	Advanced Semiconductor Engineering, Inc.	-	"	156,000	5,717	-	5,717	Note A
	Allied Circuit Co., Ltd.	-	"	2,800,000	77,560	5.63	77,560	Note A
	NXP Semiconductors N.V.	-	"	1,927	4,872	-	4,872	Note A
	Himax Technologies, Inc. (ADR)	-	"	17,391	4,636	-	4,636	Note A
	Merrimack Pharmaceuticals Inc.	-	"	11,929	2,075	-	2,075	Note A
	Intuitive Surgical, Inc.	-	"	217	4,632	-	4,632	Note A
	Tesla Motors, Inc.	-	"	498	3,412	-	3,412	Note A
	Medivation Inc.	-	"	1,685	3,279	-	3,279	Note A
	Sonyung Industry Co., Ltd.	-	"	957	3,701	-	3,701	Note A
	Universal Display Corporation	-	"	1,869	4,090	-	4,090	Note A
	Applied Materials, Inc.	-	"	3,422	2,648	-	2,648	Note A
	NVIDIA Corporation	-	"	2,895	4,393	-	4,393	Note A
	Mobileye NV	-	"	1,892	2,818	-	2,818	Note A

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Silicon Motion Technology Corp. (ADR)	-	//	2,827	\$ 4,362	-	\$ 4,362	Note A
	GMO Payment Gateway Inc.	-	//	2,000	3,642	-	3,642	Note A
	W-Scope Corp.	-	Financial assets at fair value through profit or loss - current	3,200	4,817	-	4,817	Note A
	Media Do Co Ltd.	-	//	7,700	3,709	-	3,709	Note A
	COBAN Research and Technologies, Inc.	-	Available for sale financial assets - noncurrent	600,000	33,257	6.85	33,257	-
	BroadTec System Inc.	-	//	150,000	1,500	7.50	1,500	-
	BiosenseTek Corp.	-	//	37,500	375	1.79	375	-
	Jaguar Technology	-	//	500,000	7,500	16.67	7,500	-
	Allied Circuit Co., Ltd.	-	//	299,000	8,282	0.60	8,282	Note A
	Phison Electronics Corporation	-	Available for sale financial assets - current	1,500,000	415,500	0.76	415,500	Note A
	Radiant Opto-Electronics Corporation	-	//	500,000	25,100	0.11	25,100	Note A
	Lelon Electronics Corporation	-	//	2,550,000	97,410	1.94	97,410	Note A
	<u>Fund</u> Franklin Templeton SinoAm First Fund	-	//	8,984,737	91,805	-	91,805	Note B
	Advanixs Corporate (formerly Advansus Corp.)							
AiST	<u>Fund</u> Jih Sun Money Market	-	//	12,856,773	188,340	-	188,340	Notes B and E
	<u>Fund</u> Jih Sun Money Market	-	//	2,352,044	34,455	-	34,455	Note B
ACA	<u>Fund</u> Mega Diamond Money Market	-	//	4,786,279	59,350	-	59,350	Note B
	<u>Fund</u> Mega Diamond Money Market	-	//	6,563,884	81,393	-	81,393	Note B
ALNC	<u>Fund</u> Capital Money Market	-	//	1,631,282	26,037	-	26,037	Note B
	<u>Fund</u> Mega Diamond Money Market	-	//	23,168,485	287,292	-	287,292	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	//	344,391	5,497	-	5,497	Note B
	<u>Fund</u> Capital Money Market	-	//	3,708,709	59,196	-	59,196	Note B
Cermate	<u>Fund</u> Mega Diamond Money Market	-	//	1,856,176	23,017	-	23,017	Note B

(Continued)

Note A: Market value was based on the closing price on June 30, 2016.

Note B: Market value was based on the net asset values of the open-ended mutual funds on June 30, 2016.

Note C: The amount included \$1,101,825 thousand, the carrying value of 4,150,000 shares held in trust with CTBC Bank. Please refer to Note 8 of the financial statements for more information.

Note D: The amount included \$138,990 thousand, the carrying value of 2,050,000 shares held in trust with CTBC Bank. Please refer to Note 8 of the financial statements for more information.

Note E: Advansus Corp. changed its' name to Advanixs Corporate.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note)		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> Capital Money Market	Available-for-sale financial assets - current	-	-	-	\$ -	52,654,574	\$ 840,000	8,784,164	\$ 140,043	\$ 140,000	\$ 42	43,870,410	\$ 700,000
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	-	-	87,763,871	1,088,000	-	-	-	-	87,763,871	1,088,000
	FSITC Money Market	Available-for-sale financial assets - current	-	-	-	-	147,937,626	400,000	-	-	-	-	147,937,626	400,000
	<u>Stock</u> B+B	Investments accounted for using the equity method	-	-	-	-	230,467	1,968,044 (US\$ 59,910)	-	-	-	-	230,467	1,968,044
Advanixs Corporate (formerly Advansus Corp.)	<u>Fund</u> Jih Sun Money Market	Available-for-sale financial assets - current	-	-	19,537,275	285,055	18,783,551	275,002	25,464,053	373,000	372,111	889	12,856,773	187,946
ANA	<u>Fund</u> B+B	Investments accounted for using the equity method	-	-	-	-	153,644	1,328,004 (US\$ 39,940)	-	-	-	-	153,644	1,328,004
ATC (HK)	<u>Stock</u> Yeh-chiang Technology Kun Shan Co., Ltd.	Investments accounted for using the equity method	-	-	-	-	-	459,648 (RMB 92,758)	-	-	-	-	-	459,648

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Real estate	2014.4.15	\$ 1,627,500	Under the contract, based on percentage of construction completed; accumulated payments of \$1,467,954 thousand were made as of June 30, 2016 and \$290,585 thousand were made in the second quarter of 2016.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	Contract price	For the Company's expansion	None

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 664,664	5.54	\$ -	-	\$ 358,530	\$ -
	AEU	Subsidiary	999,573	3.94	-	-	314,080	-
	AiSC	Subsidiary	142,739	4.20	-	-	18,411	-
	AKMC	Subsidiary	173,860	10.82	-	-	121,394	-
	ANA	Subsidiary	1,076,554	7.74	-	-	-	-
ACA	The Company	Parent company	375,164	9.37	-	-	-	-
ATC	The Company	Parent company	711,731	-	-	-	-	-
Advanixs Corporate (formerly Advansus Corp.)	The Company	Parent company	434,221	3.18	-	-	-	-
Avantech Corporate Investment	The Company	Parent company	400,000	- (Note 2)	-	-	-	-
Advanixs Corporate (formerly Advansus Corp.)	AKMC	Related enterprise	447,979	6.03	-	-	-	-

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

Note B: Transactions involved financing activities.

TABLE 7

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, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details (Note D)				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	\$ (114,832)	0.77	60-90 days	Contract price	No significant difference in terms for related parties	\$ 66,890	1.31	Note A
	ACN	Subsidiary	Sale	(2,614,887)	17.46	45 days after month-end	Contract price	No significant difference in terms for related parties	664,664	13.03	
	AEU	Subsidiary	Sale	(1,953,895)	13.05	30 days after month-end	Contract price	No significant difference in terms for related parties	997,659	19.55	
	AiSC	Subsidiary	Sale	(253,162)	1.69	45 days after month-end	Contract price	No significant difference in terms for related parties	142,440	2.79	Note B
	AJP	Subsidiary	Sale	(324,297)	2.17	60-90 days	Contract price	No significant difference in terms for related parties	66,946	1.31	
	AKMC	Subsidiary	Sale	(729,883)	4.87	45 days after month-end	Contract price	No significant difference in terms for related parties	173,850	3.41	Note C
	AKR	Subsidiary	Sale	(365,758)	2.44	60 days after invoice date	Contract price	No significant difference in terms for related parties	82,530	1.62	
	ANA	Subsidiary	Sale	(4,153,880)	27.74	45 days after month-end	Contract price	No significant difference in terms for related parties	1,074,232	21.06	
	ASG	Subsidiary	Sale	(100,486)	0.67	60-90 days	Contract price	No significant difference in terms for related parties	38,536	0.76	
	A-DLOG	Subsidiary	Sale	(100,987)	0.67	30 days after invoice date	Contract price	No significant difference in terms for related parties	16,664	0.33	
	Advanixs Corporate (formerly Advansus Corp.)	Subsidiary	Sale	(304,318)	2.03	60-90 days	Contract price	No significant difference in terms for related parties	81,527	1.60	
	ACA	Subsidiary	Purchase	1,336,692	12.74	Usual trade terms	Contract price	No significant difference in terms for related parties	(375,164)	12.30	
	AKMC	Subsidiary	Purchase	4,610,921	43.95	Usual trade terms	Contract price	No significant difference in terms for related parties	(93,829)	3.08	
	Advanixs Corporate (formerly Advansus Corp.)	Subsidiary	Purchase	1,183,432	11.28	Usual trade terms	Contract price	No significant difference in terms for related parties	(434,221)	14.24	
ACA	The Company	Parent company	Sale	(1,336,692)	99.61	Usual trade terms	Contract price	No significant difference in terms for related parties	375,164	99.78	
AKMC	The Company	Parent company	Sale	(4,610,921)	95.15	Usual trade terms	Contract price	No significant difference in terms for related parties	93,829	13.10	
Advanixs Corporate (formerly Advansus Corp.)	The Company	Parent company	Sale	(1,183,432)	38.76	Usual trade terms	Contract price	No significant difference in terms for related parties	434,221	42.80	
AAU	The Company	Parent company	Purchase	114,832	85.98	60-90 days	Contract price	No significant difference in terms for related parties	(66,890)	2.84	
ACN	The Company	Parent company	Purchase	2,614,887	74.62	45 days after month-end	Contract price	No significant difference in terms for related parties	(664,664)	63.71	
AEU	The Company	Parent company	Purchase	1,953,895	80.75	30 days after month-end	Contract price	No significant difference in terms for related parties	(997,659)	85.91	
AiSC	The Company	Parent company	Purchase	253,162	49.91	45 days after month-end	Contract price	No significant difference in terms for related parties	(142,440)	63.17	
AJP	The Company	Parent company	Purchase	324,297	95.26	60-90 days	Contract price	No significant difference in terms for related parties	(66,946)	100.00	
AKMC	The Company	Parent company	Purchase	729,883	16.37	45 days after month-end	Contract price	No significant difference in terms for related parties	(173,850)	10.41	
AKR	The Company	Parent company	Purchase	365,758	65.43	60 days after invoice date	Contract price	No significant difference in terms for related parties	(82,530)	61.11	

(Continued)

Buyer	Related Party	Relationship	Transaction Details (Note D)				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ANA	The Company	Parent company	Purchase	\$ 4,153,880	87.55	45 days after month-end	Contract price	No significant difference in terms for related parties	\$ (1,074,232)	98.19	
ASG	The Company	Parent company	Purchase	100,486	66.34	60-90 days	Contract price	No significant difference in terms for related parties	(38,536)	59.57	
A-DLOG	The Company	Parent company	Purchase	100,987	17.68	30 days after invoice date	Contract price	No significant difference in terms for related parties	(16,664)	31.57	
Advanixs Corporate (formerly Advansus Corp.)	The Company AKMC	Parent company	Purchase	304,318	11.15	60-90 days	Contract price	No significant difference in terms for related parties	(81,527)	11.22	
		Related enterprise	Sale	(1,349,351)	44.19	Usual trade terms	Contract price	No significant difference in terms for related parties	447,979	44.15	
AKMC	ACN Advanixs Corporate (formerly Advansus Corp.)	Related enterprise	Sale	(146,302)	4.79	Usual trade terms	Contract price	No significant difference in terms for related parties	39,338	5.49	
		Related enterprise	Purchase	1,349,351	30.26	Usual trade terms	Contract price	No significant difference in terms for related parties	(447,979)	26.83	
ACN	AKMC	Related enterprise	Purchase	146,302	4.17	Usual trade terms	Contract price	No significant difference in terms for related parties	(39,338)	3.77	

Note A: Unrealized gain for the period was \$48 thousand.

Note B: Realized gain for the period was \$1,765 thousand.

Note C: Realized gain for the period was \$624 thousand.

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

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				June 30, 2016	December 31, 2015	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	\$ 3,839,741	\$ 108,140	\$ 107,372	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	1,231,118	33,850,000	100.00	3,246,507	(50,727)	(51,752)	Subsidiary
	Advanixs Corporate (formerly Advansus Corp.)	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	725,489	224,822	208,383	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	1,640,840	5,823	5,975	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.99	409,659	183,057	47,571	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	460,572	460,572	20,438,000	100.00	516,263	157,616	157,490	Subsidiary
	ALNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	479,189	478,825	27,000,000	90.00	525,105	11,605	10,433	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,743	(2,680)	(766)	Equity-method investee
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	318	(1,161)	(1,161)	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	12,572,024	100.00	898,087	(9,512)	(9,856)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	70,063	(2,001)	(2,001)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	33,727	2,742	2,742	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	214,342	10,376	10,376	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	41,671	8,589	8,589	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	197,876	21,205	21,205	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	61,292	7,552	6,041	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of portable industrial automation products	146,440	146,440	8,000,000	100.00	224,944	59,906	61,315	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	6,665	(1,912)	(1,912)	Subsidiary
	Advantech iFactory Co., Ltd.	Taipei, Taiwan	Cybernation equipment manufacturing	60,000	60,000	6,000,000	100.00	60,191	1	1	Subsidiary
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	-	230,467	60.00	1,879,270	(28,247)	(16,948)	Subsidiary (Note D)
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	13,398	(22)	(22)	Subsidiary
	AIMobile Co. Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	135,000	-	13,500,000	45.00	131,313	(8,193)	(3,687)	Equity-method investee
Advantech Corporate Investment	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	142,063	142,063	10,000,000	100.00	158,861	(25,422)	(25,422)	Subsidiary
	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	111,840	11,650	6,560	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	17,284	(1,758)	(698)	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	3,078,230	33,357	32,333	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,137,523	41,618	41,536	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,829,456	66,589	65,903	Subsidiary
	B+B	Delaware, USA	Sale of industrial network communications	1,328,004	-	153,644	40.00	1,308,847	(28,247)	(11,299)	Subsidiary (Note D)
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	11,314,280	100.00	902,370	(11,243)	(11,587)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	24,807	2,321	2,321	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	560,615	7,088	744	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	17,261	1,636	834	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	1,540	(2,918)	(2,918)	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	79,559	7,552	7,552	Subsidiary
ALNC	Better Auto	BVI	General investment	264,445	264,445	8,556,096	100.00	97,877	(9,428)	(9,238)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				June 30, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	\$ 57,183	\$ (9,091)	\$ (9,091)	Subsidiary
AdvanPOS	Bright Mind Limited	Samoa	General investment	-	US\$ 200	-	-	-	-	-	Subsidiary
B+B	BBI	Ireland	Sale of industrial network communications systems	US\$ 39,481	-	-	100.00	3,188,117	(28,247)	(28,247)	Subsidiary (Note D)
	Quatech	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary (Note D)
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary (Note D)
BBI	BBE	Delaware, USA	Sale of industrial network communications systems	US\$ 38,167	-	-	100.00	3,003,334	(54,326)	(54,326)	Subsidiary (Note D)
	B+B (CZ) (formerly Conel)	Czech Republic	Manufacturing of cellular and automation solution	US\$ 1,314	-	-	99.99	184,150	26,111	26,111	Subsidiary (Note D)
	Conel Automation (formerly Softcon)	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	633	(3,180)	(32)	Subsidiary (Note D)
BBE	B+B (CZ)	Czech Republic	Manufacturing of cellular and automation solution	-	-	-	0.01	-	26,111	-	Subsidiary (Note D)
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	62,762	(3,180)	(3,148)	Subsidiary (Note D)

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

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

Note C: Refer to Table 9 for investments in mainland China.

Note D: In the first quarter of 2016, the Group made arrangements to acquire 100% equity in B+B for US\$99,850 thousand.

(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

**INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note F)	Indirect	\$ 1,203,858 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,203,858 (US\$ 37,300 thousand)	\$ 35,363	100	\$ 34,404	\$ 2,630,829	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	172,090 (US\$ 5,332 thousand)	-	-	172,090 (US\$ 5,332 thousand)	92,761	100	92,654	1,064,015	362,513 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sale of industrial automation products	US\$ 8,000 thousand	Indirect	258,200 (US\$ 8,000 thousand)	-	-	258,200 (US\$ 8,000 thousand)	11,509	100	10,930	758,884	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	(38,987)	100	(38,987)	3,735	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	(3,833)	100	(3,833)	18,453	-
Yeh-Chiang Technology Kun Shan Co., Ltd.		RMB 99,515 thousand	Indirect	(Note G)	-	-	(Note G)	(847)	100	(1,768)	447,704	-

Accumulated Investment in Mainland China as of June 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,640,603 (US\$50,832 thousand) (Note E)	\$2,762,740 (US\$85,600 thousand)	\$13,461,037 (Note I)

(Continued)

- Note A: The financial statements used as basis of net asset values had been reviewed by independent CPAs, except these of AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, Yeh-Chiang Technology Kun Shan Co., Ltd. AEUH, AEU, B+B and Axiomtek.
- Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Table 7.
- Note C: Remittance by AAC (H.K.) Limited.
- Note D: Remittance by ACN.
- Note E: Included is the outflow of US\$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in Guang Zhou. When this investee was liquidated in September 2005, the outward investment remittance ceased upon the approval of the Ministry of Economic Affairs (MOEA). For each future capital return, the Company will apply to the MOEA for the approval of the return as well as reduce the accumulated investment amount by the return amount.
- Note F: For AKMC, there was a capital increase of US\$6,450 thousand out of earnings.
- Note G: ATC, parent company of ATC (HK), increased the share capital of ATC (HK) and ATC (HK) acquired 100% share equity of Yeh-Chiang Technology Kun Shan Co., Ltd from Yeh-Chiang Technology (Cayman).
- Note H: The exchange rate was US\$1=NT\$32.275.
- Note I: The maximum allowable limit on investment was at 60% of the consolidated net asset value of the Company.
- Note J: All intercompany gains and losses from investment have been eliminated from consolidation.

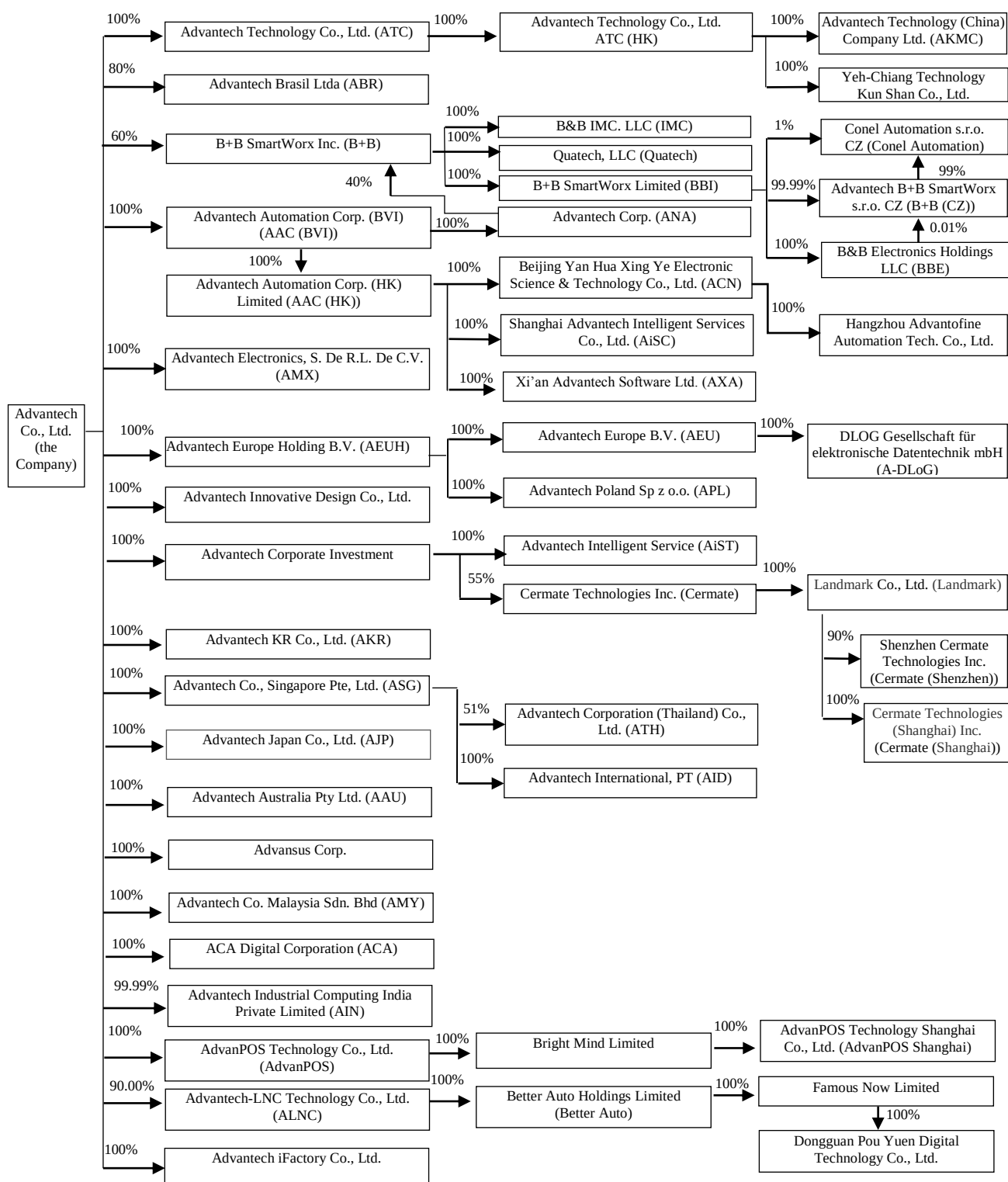
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TABLE 10

ADVANTECH CO., LTD. AND SUBSIDIARIES

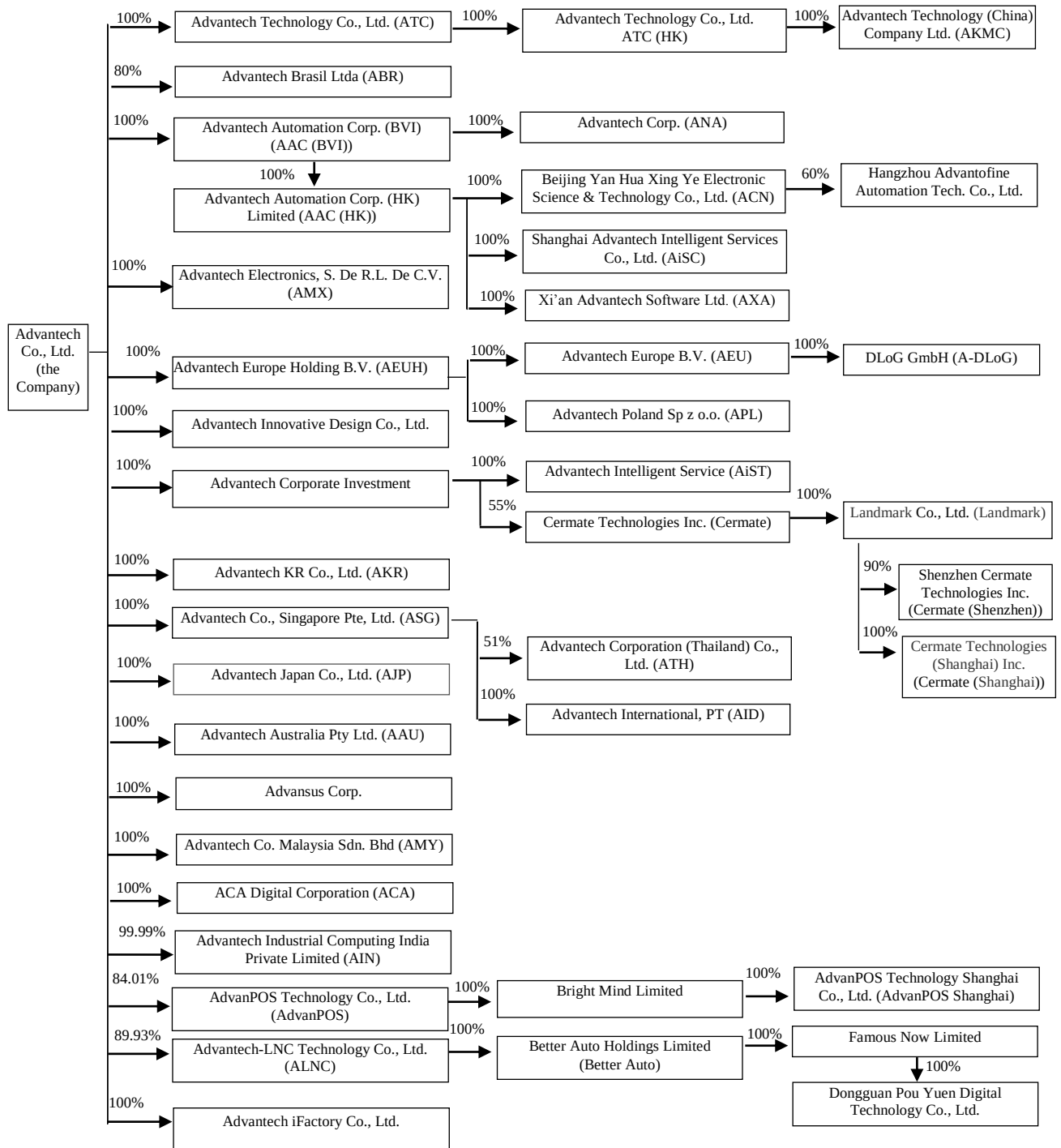
ORGANIZATION CHART
JUNE 30, 2016 AND 2015

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



(Continued)

Intercompany relationships and percentages of ownership as of June 30, 2015 are shown below:



(Concluded)

TABLE 11

ADVANTECH CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	The Company	AAC (HK)	1	Other receivables from related parties	\$ 79	45 days EOM	-
		AAU	1	Other revenue	1,527	Normal	-
		AAU	1	Other receivables from related parties	1,498	60-90 days	-
		AAU	1	Receivables from related parties	66,890	60-90 days	-
		AAU	1	Sales revenue	114,832	Normal	1
		ABR	1	Other revenue	1,570	Normal	-
		ABR	1	Other receivables from related parties	2,388	90 days EOM	-
		ABR	1	Sales revenue	35,709	Normal	-
		ACN	1	Receivables from related parties	664,664	45 days EOM	2
		ACN	1	Sales revenue	2,614,887	Normal	13
		A-DLoG	1	Other revenue	2,476	Normal	-
		A-DLoG	1	Other receivables from related parties	704	30 days after invoice date	-
		A-DLoG	1	Receivables from related parties	16,664	30 days after invoice date	-
		A-DLoG	1	Sales revenue	100,987	Normal	1
		AEU	1	Sales revenue	1,953,895	Normal	9
		AEU	1	Other revenue	10,966	Normal	-
		AEU	1	Other receivables from related parties	1,914	30 days EOM	-
		AEU	1	Receivables from related parties	997,659	30 days EOM	3
		AEU	1	Other receivables from related parties	13	30 days EOM	-
		AID	1	Other receivables from related parties	371	45 days after invoice date	-
		AID	1	Receivables from related parties	2,676	45 days after invoice date	-
		AID	1	Other revenue	337	Normal	-
		AID	1	Sales revenue	5,184	Normal	-
		AIN	1	Sales revenue	5,620	Normal	-
		AIN	1	Other receivables from related parties	1,990	60 days EOM	-
		AIN	1	Receivables from related parties	18,664	60 days EOM	-
		AIN	1	Other revenue	1,567	Normal	-
		AiSC	1	Other receivables from related parties	299	45 days EOM	-
		AiSC	1	Receivables from related parties	142,440	45 days EOM	-
		AiSC	1	Sales revenue	253,162	Normal	1
		AJP	1	Other revenue	1,396	Normal	-
		AJP	1	Other receivables from related parties	241	60-90 days	-
		AJP	1	Receivables from related parties	66,946	60-90 days	-
		AJP	1	Sales revenue	324,297	Normal	2
		AKMC	1	Receivables from related parties	173,850	45 days EOM	-
		AKMC	1	Other receivables from related parties	10	45 days EOM	-
		AKMC	1	Sales revenue	729,883	Normal	4

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKR	1	Other revenue	\$ 2,945	Normal	-
		AKR	1	Other receivables from related parties	533	60 days after invoice date	-
		AKR	1	Receivables from related parties	82,530	60 days after invoice date	-
		AKR	1	Sales revenue	365,758	Normal	2
		AMY	1	Other revenue	1,324	Normal	-
		AMY	1	Other receivables from related parties	485	45 days EOM	-
		AMY	1	Receivables from related parties	31,255	45 days EOM	-
		AMY	1	Sales revenue	62,084	Normal	-
		ANA	1	Other revenue	14,009	Normal	-
		ANA	1	Other receivables from related parties	2,322	45 days EOM	-
		ANA	1	Receivables from related parties	1,074,232	45 days EOM	3
		ANA	1	Sales revenue	4,153,880	Normal	20
		APL	1	Receivables from related parties	3,338	45 days EOM	-
		APL	1	Other receivables from related parties	102	45 days EOM	-
		APL	1	Sales revenue	9,819	Normal	-
		ASG	1	Other revenue	78	Normal	-
		ASG	1	Other receivables from related parties	684	60-90 days	-
		ASG	1	Receivables from related parties	38,536	60-90 days	-
		ASG	1	Sales revenue	100,486	Normal	-
		ATH	1	Other revenue	1,335	Normal	-
		ATH	1	Other receivables from related parties	459	30 days after invoice date	-
		ATH	1	Receivables from related parties	9,668	30 days after invoice date	-
		ATH	1	Sales revenue	28,669	Normal	-
		B+B	1	Receivables from related parties	6,363	60 days EOM	-
		B+B	1	Sales revenue	22,897	Normal	-
		Cermate	1	Other revenue	600	Normal	-
		ACA	1	Other receivables from related parties	441	30 days EOM	-
		ACA	1	Other revenue	2,520	Normal	-
		Advantech Corporate Investment	1	Rental revenue	18	Normal	-
		Advantech Innovative Design Co., Ltd.	1	Other receivables from related parties	292	60 days EOM	-
		AiST	1	Receivables from related parties	9,518	30 days EOM	-
		AiST	1	Sales revenue	26,972	Normal	-
		AiST	1	Other receivables from related parties	1,841	30 days EOM	-
		AiST	1	Other revenue	600	Normal	-
		ALNC	1	Other revenue	600	Normal	-
		ALNC	1	Sales revenue	1,557	Normal	-
		ALNC	1	Other receivables from related parties	128	60-90 days	-
		ALNC	1	Receivables from related parties	105	60-90 days	-
		Advanixs Corporate (formerly Advansus Corp.)	1	Rental revenue	2,400	Normal	-
		Advanixs Corporate (formerly Advansus Corp.)	1	Other receivables from related parties	3	60-90 days	-
		Advanixs Corporate (formerly Advansus Corp.)	1	Receivables from related parties	81,527	60-90 days	-
		Advanixs Corporate (formerly Advansus Corp.)	1	Sales revenue	304,318	Normal	1
		AdvanPOS	1	Sales revenue	30,298	Normal	-
		AdvanPOS	1	Receivables from related parties	10,922	60 days EOM	-
1	AAC (HK)	The Company	2	Other revenue	2,553	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
2	AAU	ANA	3	Sales revenue	\$ 10	Normal	-
		The Company	2	Receivables from related parties	531	60-90 days	-
		The Company	2	Sales revenue	4	Normal	-
		The Company	2	Other revenue	693	Normal	-
3	ABR	The Company	2	Other revenue	1,217	Normal	-
		The Company	2	Receivables from related parties	1,203	30 days after invoice date	-
4	ACN	AAU	3	Receivables from related parties	89	30 days EOM	-
		AAU	3	Sales revenue	79	Normal	-
		AEU	3	Sales revenue	358	Normal	-
		AEU	3	Receivables from related parties	178	30 days EOM	-
		AiSC	3	Sales revenue	62,279	Normal	-
		AiSC	3	Receivables from related parties	28,085	Immediate payment	-
		AKMC	3	Receivables from related parties	6,740	60-90 days	-
		AKMC	3	Sales revenue	19,113	Normal	-
		AKR	3	Receivables from related parties	17	45 days EOM	-
		AKR	3	Sales revenue	36	Normal	-
		ANA	3	Receivables from related parties	260	30 days EOM	-
		AXA	3	Other receivables from related parties	19,286	60 days EOM	-
		The Company	2	Receivables from related parties	834	30 days EOM	-
		The Company	2	Sales revenue	478	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales revenue	2,793	Normal	-
		ACA	3	Sales revenue	347	Normal	-
5	A-DLoG	AAU	3	Receivables from related parties	294	30 days after invoice date	-
		AAU	3	Sales revenue	311	Normal	-
		AEU	3	Sales revenue	884	Normal	-
		AEU	3	Receivables from related parties	138	30 days upon delivery	-
		ANA	3	Receivables from related parties	271	30 days EOM	-
		ANA	3	Sales revenue	265	Normal	-
		The Company	2	Receivables from related parties	11,656	30 days after invoice date	-
		The Company	2	Sales revenue	50,364	Normal	-
6	AEU	ANA	3	Royalty revenue	948	Normal	-
		ATC	3	Receivables from related parties	15,128	30 days after invoice date	-
7	AEU	ACN	3	Receivables from related parties	371	30 days after invoice date	-
		A-DLoG	3	Receivables from related parties	897	30 days upon delivery	-
		A-DLoG	3	Sales revenue	11,456	Normal	-
		AKMC	3	Receivables from related parties	341	30 days EOM	-
		AKR	3	Sales revenue	7	Normal	-
		AMY	3	Receivables from related parties	4	30 days after invoice date	-
		ANA	3	Receivables from related parties	2,379	30 days after invoice date	-
		ANA	3	Sales revenue	8,908	Normal	-
		APL	3	Receivables from related parties	672	30 days after invoice date	-
		APL	3	Sales revenue	2,314	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		The Company	2	Receivables from related parties	\$ 2,183	30 days EOM	-
		The Company	2	Sales revenue	7,228	Normal	-
8	AID	ASG	3	Other revenue	422	Normal	-
		ASG	3	Other receivables from related parties	393	30 days EOM	-
		The Company	2	Receivables from related parties	24	60 days EOM	-
		AiST	3	Other revenue	30	Normal	-
9	AIN	The Company	2	Receivables from related parties	109	60 days EOM	-
		The Company	2	Other revenue	87	Normal	-
10	AiSC	AAC (HK)	3	Other receivables from related parties	4,862	90 days	-
		ACN	3	Sales revenue	17,815	Normal	-
		ACN	3	Other receivables from related parties	65,631	Immediate payment	-
		ACN	3	Receivables from related parties	6,154	Immediate payment	-
		ACN	3	Other revenue	3,062	Normal	-
		AKMC	3	Sales revenue	99,717	Normal	-
		AKMC	3	Receivables from related parties	49,147	30 days EOM	-
		ANA	3	Sales revenue	118	Normal	-
		ANA	3	Receivables from related parties	114	Immediate payment	-
		The Company	2	Receivables from related parties	290	45 days EOM	-
		The Company	2	Sales revenue	1,468	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Other receivables from related parties	293	60 days after invoice date	-
11	AJP	ACN	3	Receivables from related parties	14	45 days EOM	-
		ACN	3	Sales revenue	13	Normal	-
		AKMC	3	Other receivables from related parties	124	45 days EOM	-
		The Company	2	Sales revenue	14	Normal	-
12	AKMC	ACN	3	Rental revenue	2,238	Normal	-
		ACN	3	Sales revenue	146,302	Normal	1
		ACN	3	Other receivables from related parties	862	60-90 days	-
		ACN	3	Receivables from related parties	39,338	60-90 days	-
		AEU	3	Sales revenue	1,334	Normal	-
		AEU	3	Receivables from related parties	802	30 days after invoice date	-
		AiSC	3	Sales revenue	60,825	Normal	-
		AiSC	3	Receivables from related parties	38,642	Immediate payment	-
		ANA	3	Sales revenue	742	Normal	-
		ANA	3	Receivables from related parties	104	60-90 days	-
		The Company	2	Sales revenue	4,610,921	Normal	22
		The Company	2	Receivables from related parties	93,829	60 days EOM	-
		ACA	3	Sales revenue	2,142	Normal	-
		ACA	3	Receivables from related parties	220	60-90 days	-
		Advanixs Corporate (formerly Advansus Corp.)	3	Receivables from related parties	152	Immediate payment	-
		Advanixs Corporate (formerly Advansus Corp.)	3	Sales revenue	1,997	Normal	-
		ALNC	3	Sales revenue	2	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
13	AKR	ANA	3	Sales revenue	\$ 49	Normal	-
		ASG	3	Sales revenue	447	Normal	-
		The Company	2	Receivables from related parties	4,265	90 days EOM	-
		The Company	2	Sales revenue	9	Normal	-
14	AMX	The Company	2	Other revenue	1,851	Normal	-
14	AMY	ATH	3	Other revenue	190	Normal	-
		ATH	3	Sales revenue	148	Normal	-
		ATH	3	Other receivables from related parties	64	30 days EOM	-
15	ANA	AEU	3	Sales revenue	32,933	Normal	-
		AEU	3	Receivables from related parties	5,016	60-90 days	-
		AEU	3	Sales revenue	37	Normal	-
		AEU	3	Receivables from related parties	36	60-90 days	-
		AJP	3	Sales revenue	390	Normal	-
		AKMC	3	Receivables from related parties	1,233	30 days EOM	-
		AKMC	3	Sales revenue	25,900	Normal	-
		AMY	3	Sales revenue	63	Normal	-
		AMY	3	Receivables from related parties	2	30 days EOM	-
		ASG	3	Sales revenue	402	Normal	-
		BBE	3	Receivables from related parties	504	60-90 days	-
		BBE	3	Other receivables from related parties	48,701	Normal	-
		BBE	3	Sales revenue	2,767	Normal	-
		BBE	3	Interest revenue	609	Normal	-
		The Company	2	Receivables from related parties	13,078	45 days EOM	-
		The Company	2	Sales revenue	16,060	Normal	-
		ACA	3	Sales revenue	14,459	Normal	-
16	APL	AEU	3	Receivables from related parties	11,236	30 days after invoice date	-
		AEU	3	Sales revenue	29,563	Normal	-
		AEU	3	Commission revenue	4,814	Normal	-
		The Company	2	Receivables from related parties	87	30 days after invoice date	-
17	ASG	AID	3	Sales revenue	4	Normal	-
		AKR	3	Sales revenue	907	Normal	-
		AMY	3	Receivables from related parties	801	30 days EOM	-
		AMY	3	Sales revenue	3,817	Normal	-
		ATH	3	Sales revenue	211	Normal	-
		The Company	2	Receivables from related parties	210	60-90 days	-
		The Company	2	Sales revenue	423	Normal	-
		The Company	2	Other revenue	313	Normal	-
17	ATC	The Company	2	Receivables from related parties	711,731	60 days EOM	2
18	ATH	AKR	3	Sales revenue	11	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
19	B+B	The Company	2	Receivables from related parties	\$ 1,186	90 days EOM	-
		The Company	2	Sales revenue	1,182	Normal	-
20	BBE	ACN	3	Sales revenue	2,824	Normal	-
		B+B (CZ) (formerly Conel)	3	Interest revenue	722	Normal	-
		B+B (CZ) (formerly Conel)	3	Other revenue	3,196	Normal	-
21	BBI	B+B (CZ) (formerly Conel)	3	Sales revenue	5	Normal	-
		B+B (CZ) (formerly Conel)	3	Other revenue	336	Normal	-
22	B+B (CZ) (formerly Conel)	ACN	3	Receivables from related parties	653	45 days EOM	-
		ACN	3	Sales revenue	664	Normal	-
		ANA	3	Receivables from related parties	1,198	45 days EOM	-
		BBE	3	Receivables from related parties	5,337	45 days EOM	-
		BBE	3	Other receivables from related parties	1,339	45 days EOM	-
		BBE	3	Sales revenue	8,928	Normal	-
		BBI	3	Receivables from related parties	213	45 days EOM	-
		BBI	3	Other receivables from related parties	162	45 days EOM	-
		BBI	3	Sales revenue	446	Normal	-
		Conel Automation (formerly Softcon)	3	Sales revenue	602	Normal	-
23	Conel Automation (formerly Softcon)	B+B (CZ) (formerly Conel)	3	Other revenue	825	Normal	-
		B+B (CZ) (formerly Conel)	3	Sales revenue	12	Normal	-
		B+B (CZ) (formerly Conel)	3	Interest revenue	17	Normal	-
24	Dongguan Pou Yuen Digital Technology Co., Ltd.	ACN	3	Sales revenue	6,984	Normal	-
		ACN	3	Receivables from related parties	1,661	90 days EOM	-
		ALNC	3	Sales revenue	603	Normal	-
		ALNC	3	Receivables from related parties	584	90 days EOM	-
25	Cermate (Shanghai)	Cermate (Shenzhen)	3	Receivables from related parties	97	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	199	Normal	-
26	Cermate	The Company	2	Receivables from related parties	933	30-60 days	-
		The Company	2	Sales revenue	2,738	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	39,860	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	10,934	30 days EOM	-
27	ACA	ACN	3	Sales revenue	1,249	Normal	-
		AKMC	3	Other receivables from related parties	4	45 days EOM	-
		The Company	2	Receivables from related parties	375,164	30 days EOM	1
		The Company	2	Sales revenue	1,336,692	Normal	6
		Advanixs Corporate (formerly Advansus Corp.)	3	Sales revenue	4,264	Normal	-
		Advanixs Corporate (formerly Advansus Corp.)	3	Receivables from related parties	826	45 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
28	Advantech Corporate Investment	The Company	2	Interest revenue	\$ 1,699	Normal	-
		The Company	2	Other receivables from related parties	400,000	Financing	1
29	Advantech Innovative Design Co., Ltd.	The Company	2	Receivables from related parties	218	30 days EOM	-
30	AiST	The Company	2	Receivables from related parties	173	60 days EOM	-
		The Company	2	Sales revenue	165	Normal	-
31	Advantech iFactory Co., Ltd.	The Company	2	Receivables from related parties	62	60 days EOM	-
32	Advanixs Corporate (formerly Advansus Corp.)	AKMC	3	Receivables from related parties	447,979	60-90 days	1
		AKMC	3	Sales revenue	1,349,351	Normal	6
		The Company	2	Receivables from related parties	434,221	60-90 days	1
		The Company	2	Sales revenue	1,183,432	Normal	6
		Cermate	3	Sales revenue	1,410	Normal	-
33	ALNC	AKMC	3	Sales revenue	430	Normal	-
		AKMC	3	Receivables from related parties	165	90 days EOM	-
		The Company	2	Receivables from related parties	3,746	60 days EOM	-
		The Company	2	Rental revenue	828	Normal	-
		The Company	2	Sales revenue	5,865	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	3	Sales revenue	89,061	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	3	Receivables from related parties	72,728	90 days EOM	-
34	Cermate (Shenzhen)	AKMC	3	Sales revenue	10,965	Normal	-
		AKMC	3	Receivables from related parties	4,302	60 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	12,810	Normal	-
		Cermate	3	Sales revenue	9,656	Normal	-
		Cermate	3	Receivables from related parties	3,942	30 days EOM	-
35	AdvanPOS	The Company	2	Receivables from related parties	13,622	60 days EOM	-
		The Company	2	Sales revenue	14,925	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, 2016, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2016.

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

(Concluded)