

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

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

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

As disclosed in Note 12, the financial statements of the Company's subsidiaries included in the consolidation for the three months ended March 31, 2017 and 2016 had not been reviewed, except those of significant subsidiaries. The total assets of the unreviewed subsidiaries were 17.52% (NT\$6,539,328 thousand) and 17.24% (NT\$6,166,395 thousand) of the Company's consolidated total assets as of March 31, 2017 and 2016, respectively. The total liabilities of the unreviewed subsidiaries were 17.25% (NT\$1,880,510 thousand) and 19.12% (NT\$2,064,265 thousand) of the Company's consolidated total liabilities as of March 31, 2017 and 2016, respectively. The comprehensive incomes of these subsidiaries were 23.99% (NT\$216,873 thousand) and 24.23% (NT\$354,385 thousand) of the Company's consolidated comprehensive incomes in the three months ended March 31, 2017 and 2016, respectively. Additional disclosures in Note 33 "Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews and the review reports of the other auditors, except for the effects of any adjustments as might have been determined to be necessary had the financial statements of the 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 and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 28, 2017

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,678,094	10	\$ 4,637,577	12	\$ 4,771,649	14
Financial assets at fair value through profit or loss - current (Notes 7 and 27)	112,527	-	113,028	-	185,610	1
Available-for-sale financial assets - current (Notes 8 and 27)	3,256,045	9	2,956,586	8	1,841,079	5
Debt investments with no active market - current (Notes 9 and 29)	56,547	-	10,007	-	83,853	-
Notes receivable (Note 10)	1,080,630	3	965,081	3	823,366	2
Trade receivables (Note 10)	5,621,205	15	6,384,834	17	5,424,604	15
Trade receivables from related parties (Note 28)	17,658	-	13,957	-	5,787	-
Other receivables	12,022	-	13,775	-	44,400	-
Inventories (Note 11)	5,798,701	16	5,597,236	15	5,212,295	15
Other current assets (Note 16)	<u>521,509</u>	<u>1</u>	<u>489,630</u>	<u>1</u>	<u>472,740</u>	<u>1</u>
Total current assets	<u>20,154,938</u>	<u>54</u>	<u>21,181,711</u>	<u>56</u>	<u>18,865,383</u>	<u>53</u>
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 8 and 27)	1,771,420	5	1,712,578	4	1,857,435	5
Investments accounted for using the equity method (Note 13)	590,450	2	598,454	2	504,163	2
Property, plant and equipment (Notes 14 and 29)	9,966,137	27	10,089,836	26	9,652,479	27
Goodwill (Note 15)	2,805,585	7	2,845,831	7	2,856,794	8
Other intangible assets	1,244,497	3	1,317,440	3	1,424,234	4
Deferred tax assets (Notes 4 and 22)	335,198	1	369,156	1	374,009	1
Prepayments for business facilities (Note 31)	45,842	-	47,578	-	73,889	-
Prepayments for investments	75,000	-	-	-	-	-
Long-term prepayments for leases (Note 16)	308,298	1	325,224	1	99,774	-
Other noncurrent assets	<u>35,806</u>	<u>-</u>	<u>51,145</u>	<u>-</u>	<u>59,084</u>	<u>-</u>
Total noncurrent assets	<u>17,178,233</u>	<u>46</u>	<u>17,357,242</u>	<u>44</u>	<u>16,901,861</u>	<u>47</u>
TOTAL	<u>\$ 37,333,171</u>	<u>100</u>	<u>\$ 38,538,953</u>	<u>100</u>	<u>\$ 35,767,244</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 476,600	1	\$ 483,750	1	\$ 482,775	1
Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	1,207	-	10,231	-	13,108	-
Trade payables (Note 28)	3,497,600	9	4,983,381	13	3,564,771	10
Other payables (Notes 18 and 28)	2,994,888	8	3,902,499	10	2,968,415	8
Current tax liabilities (Notes 4 and 22)	1,426,430	4	1,229,400	3	1,293,935	4
Short-term warranty provision	168,346	1	167,122	-	156,684	-
Current portion of long-term borrowings (Note 17)	18,459	-	-	-	-	-
Other current liabilities	<u>670,283</u>	<u>2</u>	<u>659,228</u>	<u>2</u>	<u>672,938</u>	<u>2</u>
Total current liabilities	<u>9,253,813</u>	<u>25</u>	<u>11,435,611</u>	<u>29</u>	<u>9,152,626</u>	<u>25</u>
NONCURRENT LIABILITIES						
Long-term borrowings (Notes 17 and 29)	109,656	-	-	-	-	-
Deferred tax liabilities (Notes 4 and 22)	1,223,931	3	1,362,687	4	1,321,379	4
Net defined benefit liabilities (Note 19)	211,605	1	212,360	1	183,403	1
Other noncurrent liabilities	<u>99,629</u>	<u>-</u>	<u>141,398</u>	<u>-</u>	<u>139,892</u>	<u>-</u>
Total noncurrent liabilities	<u>1,644,821</u>	<u>4</u>	<u>1,716,445</u>	<u>5</u>	<u>1,644,674</u>	<u>5</u>
Total liabilities	<u>10,898,634</u>	<u>29</u>	<u>13,152,056</u>	<u>34</u>	<u>10,797,300</u>	<u>30</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	6,332,541	17	6,330,741	16	6,318,531	18
Advance receipts for share capital	-	-	100	-	-	-
Total share capital	<u>6,332,541</u>	<u>17</u>	<u>6,330,841</u>	<u>16</u>	<u>6,318,531</u>	<u>18</u>
Capital surplus	<u>6,185,680</u>	<u>16</u>	<u>6,058,884</u>	<u>16</u>	<u>5,654,091</u>	<u>16</u>
Retained earnings						
Legal reserve	4,473,276	12	4,473,276	12	3,962,842	11
Unappropriated earnings	<u>9,640,825</u>	<u>26</u>	<u>8,435,785</u>	<u>22</u>	<u>8,452,162</u>	<u>24</u>
Total retained earnings	<u>14,114,101</u>	<u>38</u>	<u>12,909,061</u>	<u>34</u>	<u>12,415,004</u>	<u>35</u>
Other equity						
Exchange differences on translation of foreign financial statements	(659,151)	(2)	(197,633)	-	208,604	-
Unrealized gains on available-for-sale financial assets	<u>275,830</u>	<u>1</u>	<u>112,429</u>	<u>-</u>	<u>231,346</u>	<u>1</u>
Total other equity	<u>(383,321)</u>	<u>(1)</u>	<u>(85,204)</u>	<u>-</u>	<u>439,950</u>	<u>1</u>
Total equity attributable to owners of the Company	26,249,001	70	25,213,582	66	24,827,576	70
NON-CONTROLLING INTERESTS	<u>185,536</u>	<u>1</u>	<u>173,315</u>	<u>-</u>	<u>142,368</u>	<u>-</u>
Total equity	<u>26,434,537</u>	<u>71</u>	<u>25,386,897</u>	<u>66</u>	<u>24,969,944</u>	<u>70</u>
TOTAL	<u>\$ 37,333,171</u>	<u>100</u>	<u>\$ 38,538,953</u>	<u>100</u>	<u>\$ 35,767,244</u>	<u>100</u>

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

(With Deloitte & Touche review report dated April 28, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales	\$ 9,824,662	98	\$ 9,849,716	98
Other operating revenue	<u>181,577</u>	<u>2</u>	<u>223,684</u>	<u>2</u>
Total operating revenue	10,006,239	100	10,073,400	100
OPERATING COSTS (Notes 11, 21 and 28)	<u>5,954,901</u>	<u>60</u>	<u>5,936,535</u>	<u>59</u>
GROSS PROFIT	<u>4,051,338</u>	<u>40</u>	<u>4,136,865</u>	<u>41</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	1,056,007	10	1,089,026	11
General and administrative expenses	620,961	6	610,335	6
Research and development expenses	<u>871,071</u>	<u>9</u>	<u>897,789</u>	<u>9</u>
Total operating expenses	<u>2,548,039</u>	<u>25</u>	<u>2,597,150</u>	<u>26</u>
OPERATING PROFIT	<u>1,503,299</u>	<u>15</u>	<u>1,539,715</u>	<u>15</u>
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 13)	(609)	-	26,835	-
Interest income	3,874	-	5,841	-
Gains (losses) on disposal of property, plant and equipment	(762)	-	146,054	2
Gains on disposal of investments (Note 20)	96,322	1	1,652	-
Foreign exchange losses, net (Note 21)	(202,444)	(2)	(48,491)	-
Gains on financial instruments at fair value through profit or loss	87,007	1	34,668	-
Dividends income	750	-	214	-
Other income (Notes 8 and 28)	23,723	-	17,360	-
Finance costs (Note 21)	(2,717)	-	(2,082)	-
Losses on financial instruments at fair value through profit or loss	(1,207)	-	(30,088)	-
Other losses	<u>(8,317)</u>	<u>-</u>	<u>(832)</u>	<u>-</u>
Total nonoperating income	<u>(4,380)</u>	<u>-</u>	<u>151,131</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,498,919	15	1,690,846	17
INCOME TAX EXPENSE (Note 22)	<u>(293,406)</u>	<u>(3)</u>	<u>(328,896)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>1,205,513</u>	<u>12</u>	<u>1,361,950</u>	<u>14</u>

(Continued)

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 March 31			
	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements (Note 20)	\$ (551,131)	(6)	\$ (73,316)	(1)
Unrealized gains (losses) on available-for-sale financial assets (Note 20)	163,401	2	163,081	2
Share of the other comprehensive income of associates accounted for using the equity method (Notes 13 and 20)	(8,370)	-	(1,927)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 22)	<u>94,528</u>	<u>1</u>	<u>12,956</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(301,572)</u>	<u>(3)</u>	<u>100,794</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 903,941</u>	<u>9</u>	<u>\$ 1,462,744</u>	<u>15</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,205,040	12	\$ 1,357,404	14
Non-controlling interests	<u>473</u>	<u>-</u>	<u>4,546</u>	<u>-</u>
	<u>\$ 1,205,513</u>	<u>12</u>	<u>\$ 1,361,950</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 906,923	9	\$ 1,457,230	15
Non-controlling interests	<u>(2,982)</u>	<u>-</u>	<u>5,514</u>	<u>-</u>
	<u>\$ 903,941</u>	<u>9</u>	<u>\$ 1,462,744</u>	<u>15</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.90</u>		<u>\$ 2.15</u>	
Diluted	<u>\$ 1.90</u>		<u>\$ 2.15</u>	

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

(With Deloitte & Touche review report dated April 28, 2017)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										Non-controlling Interests (Notes 20 and 26)	Total Equity
								Other Equity (Note 20)				
	Issued Capital (Notes 20 and 24)			Capital Surplus (Notes 20 and 24)	Retained Earnings (Notes 20 and 26)			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total		
	Share Capital	Advance Receipts for Ordinary Shares	Total		Legal Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2016	\$ 6,318,531	\$ -	\$ 6,318,531	\$ 5,587,555	\$ 3,962,842	\$ 7,098,449	\$ 11,061,291	\$ 271,859	\$ 68,265	\$ 23,307,501	\$ 146,276	\$ 23,453,777
Compensation cost recognized for employee share options	-	-	-	65,469	-	-	-	-	-	65,469	-	65,469
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,067	-	-	-	-	-	1,067	-	1,067
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	-	-	(3,691)	(3,691)	-	-	(3,691)	(9,422)	(13,113)
Net profit for the three months ended March 31, 2016	-	-	-	-	-	1,357,404	1,357,404	-	-	1,357,404	4,546	1,361,950
Other comprehensive income (loss) for three months ended March 31, 2016	-	-	-	-	-	-	-	(63,255)	163,081	99,826	968	100,794
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	-	1,357,404	1,357,404	(63,255)	163,081	1,457,230	5,514	1,462,744
BALANCE AT MARCH 31, 2016	<u>\$ 6,318,531</u>	<u>\$ -</u>	<u>\$ 6,318,531</u>	<u>\$ 5,654,091</u>	<u>\$ 3,962,842</u>	<u>\$ 8,452,162</u>	<u>\$ 12,415,004</u>	<u>\$ 208,604</u>	<u>\$ 231,346</u>	<u>\$ 24,827,576</u>	<u>\$ 142,368</u>	<u>\$ 24,969,944</u>
BALANCE AT JANUARY 1, 2017	6,330,741	100	6,330,841	6,058,884	4,473,276	8,435,785	12,909,061	(197,633)	112,429	25,213,582	173,315	25,386,897
Recognition of employee share options by the Company	1,800	(100)	1,700	14,467	-	-	-	-	-	16,167	-	16,167
Compensation cost recognized for employee share options	-	-	-	111,259	-	-	-	-	-	111,259	-	111,259
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,070	-	-	-	-	-	1,070	-	1,070
Additional non-controlling interests in subsidiaries acquired	-	-	-	-	-	-	-	-	-	-	15,203	15,203
Net profit for the three months ended March 31, 2017	-	-	-	-	-	1,205,040	1,205,040	-	-	1,205,040	473	1,205,513
Other comprehensive loss for the three months ended March 31, 2017	-	-	-	-	-	-	-	(461,518)	163,401	(298,117)	(3,455)	(301,572)
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	1,205,040	1,205,040	(461,518)	163,401	906,923	(2,982)	903,941
BALANCE AT MARCH 31, 2017	<u>\$ 6,332,541</u>	<u>\$ -</u>	<u>\$ 6,332,541</u>	<u>\$ 6,185,680</u>	<u>\$ 4,473,276</u>	<u>\$ 9,640,825</u>	<u>\$ 14,114,101</u>	<u>\$ (659,151)</u>	<u>\$ 275,830</u>	<u>\$ 26,249,001</u>	<u>\$ 185,536</u>	<u>\$ 26,434,537</u>

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

(With Deloitte & Touche review report dated April 28, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,498,919	\$ 1,690,846
Adjustments for:		
Depreciation expenses	149,642	148,727
Amortization expenses	51,263	62,000
Amortization for prepayments of lease	2,196	700
Impairment loss recognized (reversal of impairment loss) on trade receivables	(4,683)	2,770
Net loss (gain) on fair value changes of financial assets or liabilities designated as at fair value through profit or loss	(85,800)	(4,580)
Compensation cost of employee share options	111,259	65,469
Finance costs	2,717	2,082
Interest income	(3,874)	(5,841)
Dividends income	(750)	(214)
Share of profit of associates	609	(26,835)
Loss (gain) on disposal of property, plant and equipment	762	(146,054)
Gain on disposal of investments	(96,322)	(1,652)
Changes in operating assets and liabilities		
Financial assets held for trading	77,277	2,115
Notes receivable	(115,549)	147,356
Trade receivables	792,139	189,820
Trade receivables from related parties	(3,690)	20,988
Other receivables	1,753	(3,398)
Inventories	(171,008)	(61,677)
Other current assets	(29,002)	1,537
Trade payables	(1,512,529)	150,487
Net defined benefit liabilities	(755)	(137)
Other payables	(963,429)	(416,357)
Short-term warranty provisions	1,224	11,038
Other current liabilities	9,409	126,643
Other noncurrent liabilities	(41,769)	(20,018)
Cash generated from operations	(329,991)	1,935,815
Interest received	3,874	5,650
Dividends received	750	214
Interest paid	(2,636)	(1,840)
Income tax paid	(92,823)	(91,643)
Net cash (used in) generated from operating activities	(420,826)	1,848,196

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ (902,500)	\$ (741,886)
Proceeds from sale of available-for-sale financial assets	803,911	710,586
Proceeds from sale (purchase) of debt investments with no active market	7,705	(80,644)
Increase in prepayments for investments	(75,000)	-
Net cash outflow on acquisition of subsidiaries	(100,772)	(944,831)
Dividends received from associates	62	-
Payments for property, plant and equipment	(38,795)	(302,863)
Proceeds from disposal of property, plant and equipment	1,074	335,754
Decrease in other noncurrent assets	16,265	99
Payments for intangible assets	(37,715)	(27,833)
Decrease (increase) in prepayments for business facilities	<u>9,498</u>	<u>(971)</u>
Net cash used in investing activities	<u>(316,267)</u>	<u>(1,052,589)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	13,550	(397,850)
Repayments of long-term borrowings	(4,274)	-
Decrease in guarantee deposits received	-	(885)
Exercise of employee share options	16,167	-
Decrease in non-controlling interests	<u>-</u>	<u>(13,113)</u>
Net cash generated from (used in) financing activities	<u>25,443</u>	<u>(411,848)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(247,833)</u>	<u>29,631</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(959,483)	413,390
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>4,637,577</u>	<u>4,358,259</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,678,094</u>	<u>\$ 4,771,649</u>

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

(With Deloitte & Touche review report dated April 28, 2017)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

To improve the entire operating efficiency of Advantech Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), the Company’s board of directors resolved on June 30, 2009 to have a short-form merger with Advantech Investment and Management Service (AIMS). The effective merger date was July 30, 2009. As the surviving entity, the Company assumed all assets and liabilities of AIMS. On June 26, 2014, the Company’s board of directors resolved to have a whale-minnow merger with Netstar Technology Co., Ltd. (Netstar), an indirect 95.51%-owned subsidiary through a wholly-owned subsidiary, Advantech Corporate Investment. The effective merger date was July 27, 2014. As the 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 Company’s board of directors April 28, 2017.

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

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

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

- 1) Amendment to IFRS 3 “Business Combinations”

IFRS 3 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment should be applied prospectively to business combination with acquisition date on or after January 1, 2017. Refer to Note 25 for the information on business combination that occurred in 2017.

2) Amendment to IFRS 8 “Operating Segments”

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

3) Amendments to IFRS 13 “Fair Value Measurement”

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

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

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 28 for related disclosures.

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

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect 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 IFRSs.

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition 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:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

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.

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

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

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

4) 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.

5) 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.

6) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

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

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

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

See Note 12, Table 7 and Table 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

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

1) Retirement benefits

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

2) Taxation

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

3) Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	\$ 59,014	\$ 61,640	\$ 66,197
Checking accounts and demand deposits	3,282,748	4,350,538	4,557,364
Cash equivalents (time deposits with original maturities less than three months)	<u>336,332</u>	<u>225,399</u>	<u>148,088</u>
	<u>\$ 3,678,094</u>	<u>\$ 4,637,577</u>	<u>\$ 4,771,649</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets held for trading - current</u>			
Derivative financial assets			
Foreign exchange forward contracts	\$ 20,990	\$ 34,348	\$ 6,324
Nonderivative financial assets			
Domestic quoted shares	91,537	78,680	112,166
Foreign quoted shares	<u>-</u>	<u>-</u>	<u>67,120</u>
	<u>\$ 112,527</u>	<u>\$ 113,028</u>	<u>\$ 185,610</u>

Financial liabilities held for trading - current

Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 1,207</u>	<u>\$ 10,231</u>	<u>\$ 13,108</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>March 31, 2017</u>			
Sell	EUR/NTD	2017.04-2017.08	EUR4,000/NTD133,455
	EUR/USD	2017.04-2017.08	EUR11,000/USD11,845
	USD/NTD	2017.04-2017.06	USD5,992/NTD187,847
	JPY/NTD	2017.04-2017.09	JPY450,000/NTD126,107
	RMB/NTD	2017.04-2017.06	RMB75,000/NTD333,944
	RMB/USD	2017.04	RMB3,000/USD430
<u>December 31, 2016</u>			
Sell	EUR/NTD	2017.01-2017.05	EUR5,500/NTD192,863
	EUR/USD	2017.01-2017.05	EUR8,500/USD9,451
	USD/NTD	2017.01-2017.04	USD11,414/NTD362,143
	JPY/NTD	2017.01-2017.06	JPY430,000/NTD128,601
	RMB/NTD	2017.01-2017.03	RMB83,000/NTD380,318
<u>March 31, 2016</u>			
Sell	EUR/NTD	2016.04-2016.07	EUR4,000/NTD145,610
	EUR/USD	2016.04-2016.08	EUR10,500/USD11,678
	USD/NTD	2016.04-2016.05	USD3,627/NTD120,331
	JPY/NTD	2016.04-2016.07	JPY220,000/NTD61,368
	JPY/USD	2016.04-2016.08	JPY160,000/USD1,398
	RMB/NTD	2016.04-2016.06	RMB54,000/NTD269,696
	RMB/USD	2016.05-2016.06	RMB30,000/USD4,592

The Company entered into foreign exchange forward contracts during the three months ended March 31, 2017 and 2016 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities. The Group's financial hedging strategy is to minimize risks due to market price fluctuations and cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Current</u>			
Domestic investments			
Mutual funds	\$ 2,769,752	\$ 2,450,232	\$ 1,301,943
Quoted shares	<u>486,293</u>	<u>506,354</u>	<u>539,136</u>
	<u>\$ 3,256,045</u>	<u>\$ 2,956,586</u>	<u>\$ 1,841,079</u>
<u>Noncurrent</u>			
Domestic investments			
Quoted shares	\$ 1,762,045	\$ 1,703,203	\$ 1,814,803
Unlisted shares	9,375	9,375	9,375
Foreign investments			
Unlisted shares	<u>-</u>	<u>-</u>	<u>33,257</u>
	<u>\$ 1,771,420</u>	<u>\$ 1,712,578</u>	<u>\$ 1,857,435</u>

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank during two months ended February 28, 2017 and three months ended March 31, 2016. The Group ended the trust of quoted domestic stock in March 31, 2017. As of December 31 and March 31, 2016, the stocks held in trust amounted to \$1,257,600 thousand and \$1,353,305 thousand, respectively. On the transactions, the Group recognized gains of \$61 thousand in the three months ended March 31, 2016. These gains were recorded under other nonoperating income.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	March 31, 2017	December 31, 2016	March 31, 2016
Time deposits with original maturities of more than 3 months	\$ 22,257	\$ 10,007	\$ 83,853
Pledged time deposits	<u>34,290</u>	<u>-</u>	<u>-</u>
	<u>\$ 56,547</u>	<u>\$ 10,007</u>	<u>\$ 83,853</u>

The market interest rates of the time deposits with original maturity more than three months were 1.00%-2.50%, 1.00%-2.50% and 1.00%-2.55% as of March 31, 2017, December 31, 2016 and March 31, 2016.

For information on pledged debt investments with no active market, refer to Note 29.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable	<u>\$ 1,080,630</u>	<u>\$ 965,081</u>	<u>\$ 823,366</u>
Trade receivables	\$ 5,714,108	\$ 6,486,188	\$ 5,580,064
Less: Allowance for impairment loss	<u>(92,903)</u>	<u>(101,354)</u>	<u>(155,460)</u>
	<u>\$ 5,621,205</u>	<u>\$ 6,384,834</u>	<u>\$ 5,424,604</u>

Trade Receivables

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

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Not overdue	\$ 5,147,518	\$ 5,524,036	\$ 4,634,261
Overdue			
1 to 90 days	489,279	839,609	697,974
91 to 360 days	33,537	63,558	169,837
Over 360 days	<u>43,774</u>	<u>58,985</u>	<u>77,992</u>
	<u>\$ 5,714,108</u>	<u>\$ 6,486,188</u>	<u>\$ 5,580,064</u>

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
1 to 30 days	\$ 400,635	\$ 693,983	\$ 507,739
31 to 60 days	67,725	93,924	93,827
61 to 90 days	<u>20,919</u>	<u>51,702</u>	<u>96,408</u>
	<u>\$ 489,279</u>	<u>\$ 839,609</u>	<u>\$ 697,974</u>

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 17,569	\$ 131,590	\$ 149,159
Plus: Impairment losses recognized on receivables	-	2,770	2,770
Less: Amounts written off during the period as uncollectible	(1,651)	(6,943)	(8,594)
Business combinations	-	11,918	11,918
Foreign exchange translation gains and losses	<u>-</u>	<u>207</u>	<u>207</u>
Balance at March 31, 2016	<u>\$ 15,918</u>	<u>\$ 139,542</u>	<u>\$ 155,460</u>
Balance at January 1, 2017	\$ 13,686	\$ 87,668	\$ 101,354
Less: Impairment losses reversed	-	(4,683)	(4,683)
Less: Amounts written off during the period as uncollectible	-	(393)	(393)
Business combinations	-	37	37
Foreign exchange translation gains and losses	<u>-</u>	<u>(3,412)</u>	<u>(3,412)</u>
Balance at March 31, 2017	<u>\$ 13,686</u>	<u>\$ 79,217</u>	<u>\$ 92,903</u>

11. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Raw materials	\$ 2,085,894	\$ 1,991,477	\$ 1,654,047
Work in process	1,241,147	1,033,831	1,165,991
Finished goods	1,843,632	1,922,816	1,791,917
Inventories in transit	<u>628,028</u>	<u>649,112</u>	<u>600,340</u>
	<u>\$ 5,798,701</u>	<u>\$ 5,597,236</u>	<u>\$ 5,212,295</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2017 and 2016 was \$5,902,455 thousand and \$5,818,024 thousand, respectively.

The cost of inventories decreased by \$546,317 thousand and \$572,688 thousand as of March 31, 2017 and 2016, respectively, when stated at the lower of cost or net realizable value.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2017	December 31, 2016	March 31, 2016	
The Company	AAC (BVI)	Investment and management service	100.00	100.00	100.00	
	ATC	Sale of industrial automation products	100.00	100.00	100.00	
	Advanixs Corporation	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Corporate Investment	Investment holding company	100.00	100.00	100.00	a
	AEUH	Investment and management service	100.00	100.00	100.00	
	ASG	Sale of industrial automation products	100.00	100.00	100.00	a
	AAU	Sale of industrial automation products	100.00	100.00	100.00	a
	AJP	Sale of industrial automation products	100.00	100.00	100.00	a
	AMY	Sale of industrial automation products	100.00	100.00	100.00	a
	AKR	Sale of industrial automation products	100.00	100.00	100.00	a
	ABR	Sale of industrial automation products	80.00	80.00	80.00	a
	ACA	Production and sale of portable industrial automation products	-	-	100.00	b
	AIN	Sale of industrial automation products	99.99	99.99	99.99	a
	AdvanPOS	Production and sale of POS system	100.00	100.00	100.00	a
	ALNC	Production and sale of machines with computerized numerical control	81.17	81.17	90.00	a, d
	AMX	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	Advantech iFactory Co., Ltd.	Cybernation equipment manufacturing	-	-	100.00	c
	BEMC	Sale of industrial network communications systems	60.00	60.00	60.00	e
	AiST	Design, develop and sale of intelligent service	100.00	100.00	-	a, h
	AKST	Production and sale of intelligent medical display	36.00	-	-	a, i
	AKR	Production and sale of intelligent medical display	24.00	-	-	a, i
	Advantech Corporate Investment	Design, develop and sale of intelligent service	-	-	100.00	a, h
	Cermate	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	ATC	Investment and management service	100.00	100.00	100.00	
	ATC (HK)	AKMC	100.00	100.00	100.00	
		Advanixs Kun Shan Corp.	100.00	100.00	-	j
	AAC (BVI)	ANA	100.00	100.00	100.00	
	ANA	AAC (HK)	100.00	100.00	100.00	
		BEMC	40.00	40.00	40.00	e
	AAC (HK)	ACN	100.00	100.00	100.00	
		AISC	100.00	100.00	100.00	a
		AXA	100.00	100.00	100.00	
	ACN	Hangzhou Advantofine Automation Co., Ltd.	100.00	100.00	100.00	f
	AEUH	AEU	100.00	100.00	100.00	
		APL	100.00	100.00	100.00	a
	AEU	A-DLoG	100.00	100.00	100.00	a
	ASG	ATH	51.00	51.00	51.00	a
		AID	100.00	100.00	100.00	a
	Cermate	Land Mark	100.00	100.00	100.00	a
	Land Mark	Cermate (Shanghai)	100.00	100.00	100.00	a
		Cermate (Shenzhen)	90.00	90.00	90.00	a
	AdvanPOS	Bright Mind Ltd.	-	-	100.00	a, g
	Bright Mind Ltd.	AdvanPOS Shanghai	-	-	100.00	a, g
	ALNC	Better Auto	100.00	100.00	100.00	a
	Better Auto	Famous Now Limited	100.00	100.00	100.00	a
	Famous Now Limited	Advantech LNC Dong Guan Co., Ltd.	100.00	100.00	100.00	a
	BEMC	Avtek	100.00	100.00	100.00	e
	Avtek	B+B	100.00	100.00	100.00	e
	B+B	BBi	100.00	100.00	100.00	e
		Quatech	100.00	100.00	100.00	e
		IMC	100.00	100.00	100.00	e
	BBi	B&B Electronics	100.00	100.00	100.00	e

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2017	December 31, 2016	March 31, 2016	
	B+B (CZ)	Manufacturing of cellular and automation solution	99.99	99.99	99.99	e
	Conel Automation	Sale of industrial network communications systems	1.00	1.00	1.00	e
	B&B DMCC	Sale of industrial network communications systems	100.00	100.00	100.00	e
B&B Electronics	B+B (CZ)	Manufacturing of cellular and automation solution	0.01	0.01	0.01	e
B+B (CZ)	Conel Automation	Sale of industrial network communications systems	99.00	99.00	99.00	e

(Concluded)

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

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

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

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

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

Remark f: In the first quarter of 2016, ACN acquired 40% equity of Hangzhou Advantofine Automation Tech. 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, Bright Mind Ltd. and AdvanPOS Shanghai processed their liquidations.

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

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. (Axiomtek)	\$ 464,091	\$ 464,155	\$ 477,403
Unlisted companies			
AIMobile Co., Ltd. (AIMobile)	100,761	109,241	-
Deneng Scientific Research Co., Ltd. (Deneng)	16,102	16,154	17,737
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	<u>9,496</u>	<u>8,904</u>	<u>9,023</u>
	<u>\$ 590,450</u>	<u>\$ 598,454</u>	<u>\$ 504,163</u>

In the second quarter 2016, the Group paid cash at \$135,000 thousand toward the 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.

Aggregate Information of Associates That Are Not Individually Material

	For the Three Month Ended March 31	
	2017	2016
The Group's share of		
Profit (loss) from continuing operations	\$ (609)	\$ 26,835
Other comprehensive income	<u>(8,370)</u>	<u>(1,927)</u>
Total comprehensive income (loss) for the period	<u>\$ (8,979)</u>	<u>\$ 24,908</u>

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2016	\$ 3,068,264	\$ 5,348,990	\$ 1,533,640	\$ 770,295	\$ 1,533,038	\$ 915,128	\$ 13,169,355
Additions	-	576	13,105	8,066	19,745	265,584	307,076
Disposals	(109,686)	(85,723)	(1,697)	(10,089)	(15,469)	-	(222,664)
Acquisition through business combinations	12,644	98,910	60,760	89,771	25,371	-	287,456
Reclassifications	-	3,079	1,363	(1,772)	5,172	(17,029)	(9,187)
Effect of foreign currency exchange differences	<u>(2,523)</u>	<u>(15,650)</u>	<u>(3,184)</u>	<u>(2,554)</u>	<u>(4,420)</u>	<u>167</u>	<u>(28,164)</u>
Balance at March 31, 2016	<u>\$ 2,968,699</u>	<u>\$ 5,350,182</u>	<u>\$ 1,603,987</u>	<u>\$ 853,717</u>	<u>\$ 1,563,437</u>	<u>\$ 1,163,850</u>	<u>\$ 13,503,872</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	-	(12,076)	(1,636)	(8,549)	(10,703)	-	(32,964)
Depreciation expenses	-	40,301	33,747	25,964	48,715	-	148,727
Acquisition through business combinations	-	24,266	43,220	82,180	4,757	-	154,423
Reclassifications	-	187	-	(1,902)	(307)	-	(2,022)
Effect of foreign currency exchange differences	<u>-</u>	<u>(3,271)</u>	<u>(2,094)</u>	<u>(2,526)</u>	<u>(1,356)</u>	<u>-</u>	<u>(9,247)</u>
Balance at March 31, 2016	<u>\$ -</u>	<u>\$ 1,095,468</u>	<u>\$ 1,136,265</u>	<u>\$ 640,934</u>	<u>\$ 978,726</u>	<u>\$ -</u>	<u>\$ 3,851,393</u>
Carrying amounts at March 31, 2016	<u>\$ 2,968,699</u>	<u>\$ 4,254,714</u>	<u>\$ 467,722</u>	<u>\$ 212,783</u>	<u>\$ 584,711</u>	<u>\$ 1,163,850</u>	<u>\$ 9,652,479</u>
<u>Cost</u>							
Balance at January 1, 2017	\$ 2,948,580	\$ 7,080,989	\$ 1,631,738	\$ 862,409	\$ 1,605,230	\$ 43,289	\$ 14,172,235
Additions	-	15,603	18,385	10,453	30,892	19,199	94,532
Disposals	-	-	(6,893)	(5,650)	(11,434)	-	(23,977)
Acquisition through business combinations	29,007	44,460	24,903	6,163	4,952	-	109,485
Reclassifications	-	(1,046)	4,178	(9,379)	40,484	(48,751)	(14,514)
Effect of foreign currency exchange differences	<u>(11,271)</u>	<u>(134,910)</u>	<u>(29,562)</u>	<u>(26,662)</u>	<u>(45,864)</u>	<u>(346)</u>	<u>(248,615)</u>
Balance at March 31, 2017	<u>\$ 2,966,316</u>	<u>\$ 7,005,096</u>	<u>\$ 1,642,749</u>	<u>\$ 837,334</u>	<u>\$ 1,624,260</u>	<u>\$ 13,391</u>	<u>\$ 14,089,146</u>

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Accumulated depreciation and impairment							
Balance at January 1, 2017	\$ -	\$ 1,228,673	\$ 1,155,669	\$ 644,435	\$ 1,053,622	\$ -	\$ 4,082,399
Depreciation expenses	-	47,916	29,729	24,254	47,743	-	149,642
Disposals	-	-	(6,899)	(4,959)	(10,283)	-	(22,141)
Acquisition through business combinations	-	741	15,453	4,671	3,948	-	24,813
Reclassifications	-	3	9	(6,916)	152	-	(6,752)
Effect of foreign currency exchange differences	-	(37,795)	(18,312)	(20,688)	(28,157)	-	(104,952)
Balance at March 31, 2017	<u>\$ -</u>	<u>\$ 1,239,538</u>	<u>\$ 1,175,649</u>	<u>\$ 640,797</u>	<u>\$ 1,067,025</u>	<u>\$ -</u>	<u>\$ 4,123,009</u>
Carrying amounts at March 31, 2017	<u>\$ 2,966,316</u>	<u>\$ 5,765,558</u>	<u>\$ 467,100</u>	<u>\$ 196,537</u>	<u>\$ 557,235</u>	<u>\$ 13,391</u>	<u>\$ 9,966,137</u>

(Concluded)

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

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

Property, plant and equipment pledged as collateral for borrowings were set out in Note 29.

15. GOODWILL

	For the Three Months Ended March 31	
	2017	2016
<u>Cost</u>		
Balance at January 1	\$ 2,845,831	\$ 1,139,559
Additional amounts recognized from business combinations occurring during the period (Note 25)	79,713	2,311,181
Adjustments for goodwill after acquisition	-	(543,042)
Effect of foreign currency exchange differences	<u>(119,959)</u>	<u>(50,904)</u>
Balance at March 31	<u>\$ 2,805,585</u>	<u>\$ 2,856,794</u>

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

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

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

16. PREPAYMENTS FOR LEASE

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets (included in other current assets)	\$ 8,547	\$ 8,955	\$ 2,755
Non-current assets	<u>308,298</u>	<u>325,224</u>	<u>99,774</u>
	<u>\$ 316,845</u>	<u>\$ 334,179</u>	<u>\$ 102,529</u>

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

17. BORROWINGS

a. Short-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured borrowings			
Line of credit borrowings	<u>\$ 476,600</u>	<u>\$ 483,750</u>	<u>\$ 482,775</u>

The range of weighted average effective interest rates on bank loans was 0.28%-2.87%, 1.324% and 1.14% per annum as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

b. Long-term borrowings

March 31, 2017

Secured borrowings

Bank loans	\$ 38,475
Other borrowings	63,450

Unsecured borrowings

Line of credit borrowings	<u>26,190</u>
	128,115
Less: Current portions	<u>(18,459)</u>
Long-term borrowings	<u>\$ 109,656</u>

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

Other borrowings are loans from the government. As of March 31, 2017, the effective interest rate was 3.08%-3.30% per annum.

With demand of borrowings, the Group pledged time deposits, freehold land and building and payment guarantee (refer to Note 29).

18. OTHER LIABILITIES

	March 31, 2017	December 31, 2016	March 31, 2016
Other payables			
Payables for salaries or bonuses	\$ 1,819,613	\$ 2,248,870	\$ 1,829,400
Payables for employee benefits	165,595	151,115	143,705
Payables for royalties	130,386	179,207	125,854
Others (Note)	<u>879,294</u>	<u>1,323,307</u>	<u>869,456</u>
	<u>\$ 2,994,888</u>	<u>\$ 3,902,499</u>	<u>\$ 2,968,415</u>

Note: Including construction payables, 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 \$1,250 thousand and \$1,391 thousand for the three months ended March 31, 2017 and 2016, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

20. EQUITY

a. Share capital

Ordinary shares

	March 31, 2017	December 31, 2016	March 31, 2016
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>633,254</u>	<u>633,084</u>	<u>631,853</u>
Shares issued and fully paid	<u>\$ 6,332,541</u>	<u>\$ 6,330,841</u>	<u>\$ 6,318,531</u>

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

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

b. Capital surplus

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 3,396,888	\$ 3,396,888	\$ 3,396,888
Conversion of bonds	931,849	931,849	931,849
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	17,844	17,844	-
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	4,246	4,246	4,246
Employee share options	1,118,084	1,077,084	792,341
Employees' share compensation	78,614	78,614	78,614
<u>Not be used for any purpose</u>			
Share of changes in capital surplus of associates	24,301	23,231	13,765
Employee share options	<u>613,854</u>	<u>529,128</u>	<u>436,388</u>
	<u>\$ 6,185,680</u>	<u>\$ 6,058,884</u>	<u>\$ 5,654,091</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 effects of changes in ownership interests in a subsidiary resulting from equity transactions other than an actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

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

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to 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 dividends policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. The policy also requires that share dividends be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

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

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

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

The appropriations of earnings, for 2016 and 2015 which have been proposed by the Company's board of directors on March 6, 2017 and approved in the shareholders' meetings on May 25, 2016, respectively, were as follows:

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

The appropriations of earnings for 2016 are subject to the resolution in the shareholders' meeting to be held on May 26, 2017.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Three Months Ended March 31	
	2017	2016
Balance at January 1	\$ (197,633)	\$ 271,859
Exchange differences arising on translation of foreign financial statements	(547,676)	(74,284)
Related income tax	94,528	12,956
Share of exchange difference of associates accounted for using the equity method	<u>(8,370)</u>	<u>(1,927)</u>
Balance at March 31	<u>\$ (659,151)</u>	<u>\$ 208,604</u>

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

	For the Three Months Ended March 31	
	2017	2016
Balance at January 1	\$ 112,429	\$ 68,265
Unrealized gain arising on revaluation of available-for-sale financial assets	67,079	164,733
Cumulative loss (gain) reclassified to profit or loss on sale of available-for-sale financial assets	<u>96,322</u>	<u>(1,652)</u>
Balance at March 31	<u>\$ 275,830</u>	<u>\$ 231,346</u>

e. Non-controlling interests

	For the Three Months Ended March 31	
	2017	2016
Balance at January 1	\$ 173,315	\$ 146,276
Attributable to non-controlling interests:		
Share of profit for the period	473	4,546
Exchange difference arising on translation of foreign financial statements	(3,455)	968
Non-controlling interests arising from acquisition of subsidiaries (Note 26)	-	(9,422)
Additional non-controlling interests arising from acquisition of subsidiary AKST (Note 25)	<u>15,203</u>	<u>-</u>
Balance at March 31	<u>\$ 185,536</u>	<u>\$ 142,368</u>

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended March 31	
	2017	2016
Interest on bank loans	\$ 2,561	\$ 2,082
Others	<u>156</u>	<u>-</u>
	<u><u>\$ 2,717</u></u>	<u><u>\$ 2,082</u></u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2017	2016
Property, plant and equipment	\$ 149,642	\$ 148,727
Intangible assets	<u>51,263</u>	<u>62,000</u>
	<u><u>\$ 200,905</u></u>	<u><u>\$ 210,727</u></u>
An analysis of depreciation by function		
Operating costs	\$ 36,971	\$ 35,262
Operating expenses	<u>112,671</u>	<u>113,465</u>
	<u><u>\$ 149,642</u></u>	<u><u>\$ 148,727</u></u>
An analysis of amortization by function		
Operating costs	\$ 1,244	\$ 37
Selling and marketing expenses	30	24
General and administrative expenses	42,362	54,879
Research and development expenses	<u>7,627</u>	<u>7,060</u>
	<u><u>\$ 51,263</u></u>	<u><u>\$ 62,000</u></u>

c. Employee benefits expense

	For the Three Month Ended March 31	
	2017	2016
Short-term benefits	\$ 1,863,796	\$ 1,946,464
Post-employment benefits		
Defined contribution plans	77,438	77,969
Defined benefit plans (Note 19)	<u>1,250</u>	<u>1,391</u>
	<u>78,688</u>	<u>79,360</u>
Share-based payments		
Equity-settled	111,259	65,469
Other employee benefits	<u>149,354</u>	<u>159,989</u>
Total employee benefits expense	<u><u>\$ 2,203,097</u></u>	<u><u>\$ 2,251,282</u></u>

(Continued)

	For the Three Month Ended March 31	
	2017	2016
An analysis of employee benefits expense by function		
Operating costs	\$ 474,151	\$ 464,885
Operating expenses	<u>1,728,946</u>	<u>1,786,397</u>
	<u>\$ 2,203,097</u>	<u>\$ 2,251,282</u> (Concluded)

d. Employees' compensation and remuneration of directors and supervisors

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting on May 25, 2016, the Company accrued employees' compensation at the rates of no less than 1% and no higher than 20% and remuneration of directors and supervisors at the rates of no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three month ended March 31, 2017 and 2016, the employees' compensation and the remuneration of directors and supervisors were accrued of net profit after income tax.

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	<u>\$ 60,750</u>	<u>\$ 50,000</u>
Remuneration of directors and supervisors	<u>\$ 3,075</u>	<u>\$ 3,000</u>

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

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

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

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

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

- e. Gains or losses on foreign currency exchange

	For the Three Months Ended March 31	
	2017	2016
Foreign exchange gains	\$ 253,987	\$ 342,474
Foreign exchange losses	<u>(456,431)</u>	<u>(390,965)</u>
Net losses	<u>\$ (202,444)</u>	<u>\$ (48,491)</u>

22. INCOME TAX

- a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2017	2016
Current tax		
In respect of the current period	\$ 293,309	\$ 303,680
Deferred tax		
In respect of the current period	<u>97</u>	<u>25,216</u>
Income tax expense recognized in profit or loss	<u>\$ 293,406</u>	<u>\$ 328,896</u>

- b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2017	2016
<u>Deferred tax</u>		
In respect of current period		
Translation of foreign operations	<u>\$ (94,528)</u>	<u>\$ (12,956)</u>

- c. Integrated income tax

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated earnings			
Generated on and after January 1, 1998	<u>\$ 9,640,825</u>	<u>\$ 8,435,785</u>	<u>\$ 8,452,162</u>
Shareholder-imputed credits accounts	<u>\$ 777,620</u>	<u>\$ 777,620</u>	<u>\$ 608,917</u>
	For the Years Ended December 31		
	2016 (Expected)	2015	
Creditable ratio for distribution of earnings	18.69%	13.86%	

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 tax return and applied for re-examination. 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 March 31	
	2017	2016
Basic earnings per share	\$ <u>1.90</u>	\$ <u>2.15</u>
Diluted earnings per share	\$ <u>1.90</u>	\$ <u>2.15</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 March 31	
	2017	2016
Earnings used in the computation of basic earnings per share	\$ <u>1,205,040</u>	\$ <u>1,357,404</u>
Earnings used in the computation of diluted earnings per share	\$ <u>1,205,040</u>	\$ <u>1,357,404</u>

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

	For the Three Months Ended March 31	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	633,144	631,853
Effect of potentially dilutive ordinary shares:		
Employee share options	780	-
Employees' compensation	<u>942</u>	<u>808</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>634,866</u>	<u>632,661</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would 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 6,500 options in 2016 and 5,000 options in 2014. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The holders of these shares include employees whom meet certain criteria set by the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 2016 and 2014 are both valid for six years. All are exercisable at certain percentages after the second anniversary year from the grant date. The exercise price of those granted in 2016 and 2014 was both NT\$100 per share. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options will be adjusted accordingly.

No share options were issued granted during the three months ended March 31, 2017 and 2016. Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Employee Share Options				
Balance at January 1	10,269	\$100.00	5,000	\$100.00
Options exercised	<u>(170)</u>	95.10	<u>-</u>	-
Balance at March 31	<u>10,099</u>	-	<u>5,000</u>	100.00
Options exercisable, end of the period	<u>10,099</u>	95.10	<u>-</u>	-
Weighted-average fair value of options granted (NT\$)	<u>95.10</u>		<u>-</u>	

The weighted-average share price at the date of exercise of share options for the three months ended March 31, 2017 was from NT\$255 to NT\$266.

Information about outstanding options as of March 31, 2017 and 2016 was as follows:

	For the Three Months Ended December 31			
	2017		2016	
	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2016	\$100.00	5.20	\$ -	-
Issuance in 2014	95.10	3.38	100.00	4.38

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

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

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

Compensation cost recognized was \$111,259 thousand and \$65,469 thousand for the three months ended March 31, 2017 and 2016, respectively.

25. BUSINESS COMBINATION

a. Subsidiary acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Kostec Co., Ltd.	Production and sale of intelligent medical display	January 20, 2017	60	<u>\$ 102,517</u>
B+B (Note)	Sale of industrial network communications	January 4, 2016	100	<u>\$ 3,296,048</u>

Note: For more information of BEMC, Avtek and B+B and its subsidiaries IMC, Quatech, BBI, B&B Electronics, B&B DMCC, B+B (CZ) and Conel Automation, refer to Note 12, Table 7 and Table 9.

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

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

b. Considerations transferred

	AKST	B+B
Cash	\$ 102,517	\$ 3,296,048
Contingent consideration arrangements (1 and 2)	<u>48,528</u>	<u>-</u>
	<u>\$ 151,045</u>	<u>\$ 3,296,048</u>
	(US\$ 4,800 thousand)	(US\$ 99,850 thousand)

- 1) The Group acquired 60% equity in AKST with the provisional amount of \$102,517 thousand. The Group expected to pay the full of amount which will not exceed US\$600 thousand, after obtaining independent auditors' report for 2016 during the first half of 2017. In addition, the Group will adjust the goodwill based on the identifiable net assets and liabilities on the report.
- 2) Under the contingent consideration arrangements, the Group is required to pay the seller an additional US\$500 thousand in 2017 and 2018, respectively, if AKST's revenue exceeds the agreed amount.
- 3) On January 4, 2016, the Group acquired 100% share equity of B+B and its subsidiaries from Graham Partners. The Company and ANA obtained share equity of B+B mutually.
- 4) Acquisition-related costs amounting to \$33,476 thousand were excluded from the consideration transferred and were recognized as current expenses under administrative expenses in the consolidated statement of comprehensive income.

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

	AKST	B+B
Current assets		
Cash and cash equivalents	\$ 1,745	\$ 71,336
Trade receivables	20,426	188,827
Inventories	30,457	281,758
Debt investments with no active market - current	54,324	-
Other current assets	2,877	17,935
Non-current assets		
Plant and equipment	84,672	133,033
Intangible assets	9,921	1,294,933
Deferred tax assets	4,207	153,651
Other non-current assets	926	-
Current liabilities		
Short-term borrowings	(8,100)	-
Trade and other payables	(26,748)	(188,215)
Current portion of long-term borrowings	(22,733)	-
Other current liabilities	(1,646)	-
Non-current liabilities		
Long-term borrowings	(109,656)	-
Deferred tax liabilities	<u>(2,665)</u>	<u>(425,349)</u>
	<u><u>\$ 38,007</u></u>	<u><u>\$ 1,527,909</u></u>

d. Non-controlling interests

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

e. Goodwill recognized on acquisitions

	AKST	B+B
Consideration transferred	\$ 102,517	\$ 3,296,048
Less: Fair value of identifiable net assets acquired	<u>(22,804)</u>	<u>(1,527,909)</u>
Goodwill recognized on acquisition	<u><u>\$ 79,713</u></u>	<u><u>\$ 1,768,139</u></u>

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

f. Net cash outflow on acquisition of subsidiaries

	AKST	B+B
Consideration paid in cash	\$ 102,517	\$ 3,296,048
Less: Prepayments for investments	-	(2,279,881)
Less: Cash and cash equivalent balance acquired	<u>(1,745)</u>	<u>(71,336)</u>
	<u>\$ 100,772</u>	<u>\$ 944,831</u>

g. Impact of acquisitions on the results of the Group

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

	For the Three Months Ended March 2017	For the Three Months Ended March 2016
	AKST	B+B
Revenue	<u>\$ 36,598</u>	<u>\$ 413,819</u>
Loss	<u>\$ (9,063)</u>	<u>\$ (43,063)</u>

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

	For the Three Months Ended March 31, 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 subsidiaries transferred to non-controlling interests	<u>9,195</u>	<u>227</u>	<u>9,422</u>
Differences recognized from equity transactions	<u>\$ (3,554)</u>	<u>\$ (137)</u>	<u>\$ (3,691)</u>

(Continued)

For the Three Months Ended March 31, 2016			
	Hangzhou Advantofine Automation Co., Ltd.	ALNC	Total
<u>Line items adjusted for equity transactions</u>			
Retained earnings	<u>\$ (3,554)</u>	<u>\$ (137)</u>	<u>\$ (3,691)</u> (Concluded)

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

March 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 20,990	\$ -	\$ 20,990
Non-derivative financial assets held for trading	<u>91,537</u>	<u>-</u>	<u>-</u>	<u>91,537</u>
	<u>\$ 91,537</u>	<u>\$ 20,990</u>	<u>\$ -</u>	<u>\$ 112,527</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,248,338	\$ -	\$ -	\$ 2,248,338
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Mutual funds	<u>2,769,752</u>	<u>-</u>	<u>-</u>	<u>2,769,752</u>
	<u>\$ 5,018,090</u>	<u>\$ -</u>	<u>\$ 9,375</u>	<u>\$ 5,027,465</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,207</u>	<u>\$ -</u>	<u>\$ 1,207</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 34,348	\$ -	\$ 34,348
Non-derivative financial asset held for trading	<u>78,680</u>	<u>-</u>	<u>-</u>	<u>78,680</u>
	<u>\$ 78,680</u>	<u>\$ 34,348</u>	<u>\$ -</u>	<u>\$ 113,028</u> (Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,209,557	\$ -	\$ -	\$ 2,209,557
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Mutual funds	<u>2,450,232</u>	<u>-</u>	<u>-</u>	<u>2,450,232</u>
	<u>\$ 4,659,789</u>	<u>\$ -</u>	<u>\$ 9,375</u>	<u>\$ 4,669,164</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 10,231</u>	<u>\$ -</u>	<u>\$ 10,231</u> (Concluded)

March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 6,324	\$ -	\$ 6,324
Non-derivative financial asset held for trading	<u>179,286</u>	<u>-</u>	<u>-</u>	<u>179,286</u>
	<u>\$ 179,286</u>	<u>\$ 6,324</u>	<u>\$ -</u>	<u>\$ 185,610</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,353,939	\$ -	\$ -	\$ 2,353,939
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	<u>1,301,943</u>	<u>-</u>	<u>-</u>	<u>1,301,943</u>
	<u>\$ 3,655,882</u>	<u>\$ -</u>	<u>\$ 42,632</u>	<u>\$ 3,698,514</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 13,108</u>	<u>\$ -</u>	<u>\$ 13,108</u>

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

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

For the three months ended March 31, 2017

	Available- for-sale Financial Assets	
	Equity Instruments	Total
<u>Financial assets</u>		
Balance at January 1, 2017	\$ 9,375	\$ 9,375
Balance at March 31, 2017	<u>\$ 9,375</u>	<u>\$ 9,375</u>

For the three months ended March 31, 2016

	Available-for-sa le Financial Assets	
	Equity Instruments	Total
<u>Financial assets</u>		
Balance at January 1, 2016	\$ 42,632	\$ 42,632
Balance at March 31, 2016	<u>\$ 42,632</u>	<u>\$ 42,632</u>

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

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

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

The fair values of unlisted equity securities - ROC were using income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

b. Categories of financial instruments

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading (Note 1)	\$ 112,527	\$ 113,028	\$ 185,610
Loans and receivables (Note 2)	10,466,156	12,025,231	11,153,659
Available-for-sale financial assets	5,027,465	4,669,164	3,698,514
			(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 1,207	\$ 10,231	\$ 13,108
Measured at amortized cost (Note 3)	7,097,203	9,369,630	7,015,961
			(Concluded)

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

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

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

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

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Three Months		For the Three Months		For the Three Months	
	Ended March 31		Ended March 31		Ended March 31	
	2017	2016	2017	2016	2017	2016
Profit or loss	\$ 105,676 (Note 1)	\$ 120,688 (Note 1)	\$ 58,255 (Note 2)	\$ 28,409 (Note 2)	\$ 56,630 (Note 3)	\$ 40,228 (Note 3)

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

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

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

b) Interest rate risk

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

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial assets	\$ 427,169	\$ 235,400	\$ 231,943
Cash flow interest rate risk			
Financial assets	2,621,410	3,923,166	3,696,531
Financial liabilities	604,715	483,750	482,775

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 three months ended March 31, 2017 and 2016 would have increased by \$2,521 thousand and \$4,017 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 three months ended March 31, 2017 and 2016 would have increased by \$915 thousand and \$1,793 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 three months ended March 31, 2017 and 2016 would have increased by \$50,275 thousand and \$36,985 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance 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 March 31, 2017, December 31, 2016 and March 31, 2016, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

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

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

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

March 31, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 4,723,650	\$ 749,325	\$ 1,019,513	\$ -
Variable interest rate liabilities	<u>14,397</u>	<u>1,693</u>	<u>470,667</u>	<u>133,270</u>
	<u>\$ 4,738,047</u>	<u>\$ 751,018</u>	<u>\$ 1,490,180</u>	<u>\$ 133,270</u>

December 31, 2016

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

March 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 4,077,597	\$ 1,447,862	\$ 1,007,727	\$ -
Variable interest rate liabilities	<u>459</u>	<u>917</u>	<u>485,394</u>	<u>-</u>
	<u>\$ 4,078,056</u>	<u>\$ 1,448,779</u>	<u>\$ 1,493,121</u>	<u>\$ -</u>

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

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

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

March 31, 2017

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 359,537	\$ 538,031	\$ 256,087	\$ 1,153,655
Outflows	<u>347,662</u>	<u>532,010</u>	<u>254,200</u>	<u>1,133,872</u>
	<u>\$ 11,875</u>	<u>\$ 6,021</u>	<u>\$ 1,887</u>	<u>\$ 19,783</u>

December 31, 2016

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

March 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 382,755	\$ 558,609	\$ 224,306	\$ 1,165,670
Outflows	<u>384,836</u>	<u>562,168</u>	<u>225,450</u>	<u>1,172,454</u>
	<u>\$ (2,081)</u>	<u>\$ (3,559)</u>	<u>\$ (1,144)</u>	<u>\$ (6,784)</u>

c) Financing facilities

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	\$ 502,790	\$ 483,750	\$ 482,775
Amount unused	<u>3,599,050</u>	<u>3,757,750</u>	<u>4,857,173</u>
	<u>\$ 4,101,840</u>	<u>\$ 4,241,500</u>	<u>\$ 5,339,948</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ 101,925</u>	<u>\$ -</u>	<u>\$ -</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. Names and categories of related parties

Names	Related Party Categories
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party

b. Sales of goods

	For the Three Months Ended March 31	
Related Party Categories	2017	2016
Associates	<u>\$ 23,080</u>	<u>\$ 20,683</u>

c. Purchases of goods

	For the Three Months Ended March 31	
Related Party Categories	2017	2016
Associates	<u>\$ 21,780</u>	<u>\$ 3,006</u>

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

Line Items	Related Party Categories	March 31, 2017	December 31, 2016	March 31, 2016
Trade receivables from related parties	Associates	<u>\$ 17,658</u>	<u>\$ 13,957</u>	<u>\$ 5,787</u>

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

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

Line Items	Related Party Categories	March 31, 2017	December 31, 2016	March 31, 2016
Trade payables	Associates	<u>\$ 11,863</u>	<u>\$ 29,453</u>	<u>\$ 1,299</u>
Other payables	Other related parties	<u>\$ 931</u>	<u>\$ -</u>	<u>\$ -</u>

The outstanding trade payables from related parties are unsecured.

f. Other transactions with related parties

		Operating Expenses For the Three Months Ended March 31	
		2017	2016
Research and development expenses			
Associates		<u>\$ 997</u>	<u>\$ -</u>
		Other Income For the Three Months Ended March 31	
		2017	2016
Rental income			
Other related parties		<u>\$ 15</u>	<u>\$ 15</u>
Others			
Other related parties		<u>\$ 676</u>	<u>\$ 676</u>

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

g. Compensation of key management personnel

	For the Three Months Ended March 31	
	2017	2016
Short-term employee benefits	\$ 8,587	\$ 9,161
Post-employment benefits	24	28
Share-based payments	<u>2,903</u>	<u>6,547</u>
	<u>\$ 11,514</u>	<u>\$ 15,736</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2017
Pledge deposits (recognized as debt investments with no active market)	\$ 34,290
Property, plant and equipment	<u>67,068</u>
	<u>\$ 101,358</u>

30. SIGNIFICANT COMMITMENTS

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

Significant Commitments

As of March 31, 2016, the Company had a construction contract amounting to \$1,627,500 thousand for a newly constructed science park located in Linkou in Taoyuan City. The remaining payables were \$450,131 thousand.

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Company planned to invest in four main fields, which include Internet Cloud, Internet of Things, Mobile Internet and Next Generation of E-commerce and aggressively seeks new partnership for interrelated innovation. CDIB Capital Group expects to establish funds for development and innovation. The Company has acquired 20% equity for \$150,000 thousand. As of March 31, 2017, the prepayment for investment amounted to \$75,000 thousand.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2017

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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 186,929	30.330 (USD:NTD)	\$ 5,669,557
RMB	428,035	4.4070 (RMB:NTD)	1,886,350
EUR	27,649	32.430 (EUR:NTD)	896,657
USD	8,145	6.8822 (USD:RMB)	<u>247,039</u>
			<u>\$ 8,699,603</u>

Financial liabilities

Monetary items			
USD	105,194	30.330 (USD:NTD)	3,190,534
USD	26,187	6.8822 (USD:RMB)	794,252
RMB	194,940	4.4070 (RMB:NTD)	<u>859,101</u>
			<u>\$ 4,843,887</u>

December 31, 2016

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

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

Financial liabilities

Monetary items			
USD	140,430	32.250 (USD:NTD)	\$ 4,528,868
USD	30,933	6.9851 (USD:RMB)	997,591
RMB	200,658	4.6170 (RMB:NTD)	<u>926,438</u>
			<u>\$ 6,452,897</u>

March 31, 2016

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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 177,741	32.185 (USD:NTD)	\$ 5,720,594
RMB	257,075	4.9720 (RMB:NTD)	1,278,177
EUR	25,220	36.510 (EUR:NTD)	920,782
USD	3,321	6.4733 (USD:RMB)	<u>106,888</u>
			<u>\$ 8,026,441</u>
Nonmonetary items			
USD	1,879	32.185 (USD:NTD)	<u>\$ 60,476</u>
<u>Financial liabilities</u>			
Monetary items			
USD	78,729	32.185 (USD:NTD)	\$ 2,533,893
USD	30,962	6.4733 (USD:RMB)	996,518
RMB	91,786	4.9720 (RMB:NTD)	<u>456,360</u>
			<u>\$ 3,986,771</u>

For the three months ended March 31, 2017 and 2016, realized and unrealized net foreign exchange losses were \$202,444 thousand and \$48,491 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

33. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments. (Notes 7 and 27)
 - 10) Significant transactions between the Company and subsidiaries. (Table 10)
 - 11) Name, locations, and other information of investees. (Table 7)
 - 12) Organization chart. (Table 9)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or losses, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

34. SEGMENT INFORMATION

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

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

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

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

Segment Revenues and Results

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

	Industrial Interest of Thing Services	Embedded Boards and Design-in Services	Allied Design Manufacture Services	Smart City Solution Services	Global Customer Services	Others	Total
<u>For the three months ended March 31, 2017</u>							
Revenues from external customers	\$ 3,318,147	\$ 2,707,255	\$ 2,036,412	\$ 650,414	\$ 1,258,632	\$ 35,379	\$ 10,006,239
Inter-segment revenues	-	-	-	-	-	-	-
Segment revenues	<u>\$ 3,318,147</u>	<u>\$ 2,707,255</u>	<u>\$ 2,036,412</u>	<u>\$ 650,414</u>	<u>\$ 1,258,632</u>	<u>\$ 35,379</u>	<u>10,006,239</u>
Eliminations	-	-	-	-	-	-	-
Consolidated revenues	-	-	-	-	-	-	<u>10,006,239</u>
Segment income	<u>\$ 771,249</u>	<u>\$ 440,709</u>	<u>\$ 308,742</u>	<u>\$ (2,861)</u>	<u>\$ 162,036</u>	<u>\$ 1,383</u>	<u>1,681,258</u>
Central administration costs and directors' salaries							(177,959)
Other revenues							28,347
Other income and expense							(29,401)
Finance costs							(2,717)
Share of profits of associates for using the equity method							(609)
Profit before tax							<u>\$ 1,498,919</u>
<u>For the three months ended March 31, 2016</u>							
Revenues from external customers	\$ 3,156,937	\$ 2,672,287	\$ 2,247,361	\$ 764,079	\$ 1,130,872	\$ 101,864	\$ 10,073,400
Inter-segment revenues	-	-	-	-	-	-	-
Segment revenues	<u>\$ 3,156,937</u>	<u>\$ 2,672,287</u>	<u>\$ 2,247,361</u>	<u>\$ 764,079</u>	<u>\$ 1,130,872</u>	<u>\$ 101,864</u>	<u>10,073,400</u>
Eliminations	-	-	-	-	-	-	-
Consolidated revenues	-	-	-	-	-	-	<u>10,073,400</u>
Segment income	<u>\$ 654,143</u>	<u>\$ 514,976</u>	<u>\$ 368,683</u>	<u>\$ 87,067</u>	<u>\$ 131,511</u>	<u>\$ (11,642)</u>	<u>1,744,738</u>
Central administration costs and directors' salaries							(205,023)
Other revenues							23,415
Other income and expense							102,963
Finance costs							(2,082)
Share of profits of associates for using the equity method							26,835
Profit before tax							<u>\$ 1,690,846</u>

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

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	Better Auto	Advantech LNC Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	\$ 20,729 (RMB 4,520 thousand)	\$ 19,920 (RMB 4,520 thousand)	\$ 19,920 (RMB 4,520 thousand)	1	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 2,624,900 (Note C)	\$ 5,249,800 (Note C)
		Advantech LNC Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	15,673 (US\$ 500 thousand)	15,165 (US\$ 500 thousand)	12,132 (US\$ 400 thousand)	1	Short-term financing	-	Financing need	-	None	None	2,624,900 (Note C)	5,249,800 (Note C)
2	ANA	B+B (CZ)	Trade receivables - related parties	Yes	23,509 (US\$ 750 thousand)	22,748 (US\$ 750 thousand)	15,165 (US\$ 500 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,624,900 (Note C)	5,249,800 (Note C)
3	B+B	B+B (CZ)	Trade receivables - related parties	Yes	39,505 (CZK 31,756 thousand)	38,202 (CZK 31,756 thousand)	-	2	Short-term financing	-	Financing need	-	None	None	2,624,900 (Note C)	5,249,800 (Note C)
4	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	14,928 (CZK 12,000 thousand)	14,436 (CZK 12,000 thousand)	14,436 (CZK 12,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,624,900 (Note C)	5,249,800 (Note C)
5	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	13,758 (RMB 3,000 thousand)	13,221 (RMB 3,000 thousand)	-	-	Short-term financing	-	Financing need	-	None	None	2,624,900 (Note C)	5,249,800 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of March 31, 2017 were US\$1=NT\$30.33, RMB1=NT\$4.407 and CZK1=NT\$1.203.

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 THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	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 Corp.	Subsidiary	\$ 2,624,900	\$ 62,690 (US\$ 2,000 thousand)	\$ 60,660 (US\$ 2,000 thousand)	\$ -	\$ -	0.24	\$ 7,874,700	Y	N	N
		AdvanPOS	Subsidiary	2,624,900	62,690 (US\$ 2,000 thousand)	60,660 (US\$ 2,000 thousand)	-	-	0.24	7,874,700	Y	N	N
		ANA	Subsidiary	2,624,900	940,350 (US\$ 30,000 thousand)	909,900 (US\$ 30,000 thousand)	454,950 (US\$ 15,000 thousand)	-	3.61	7,874,700	Y	N	N
		B+B	Subsidiary	2,624,900	313,450 (US\$ 10,000 thousand)	303,300 (US\$ 10,000 thousand)	-	-	1.20	7,874,700	Y	N	N
		AKMC	Subsidiary	2,624,900	188,070 (US\$ 6,000 thousand)	181,980 (US\$ 6,000 thousand)	-	-	0.72	7,874,700	Y	N	Y
		ALNC	Subsidiary	2,624,900	109,708 (US\$ 1,500 thousand)	45,495 (US\$ 1,500 thousand)	-	-	0.18	7,874,700	Y	N	N
		Advanixs Corp.	Subsidiary	2,624,900	50,152 (US\$ 1,600 thousand)	48,528 (US\$ 1,600 thousand)	-	-	0.19	7,874,700	Y	N	N
		Cermate	Subsidiary	2,624,900	48,585 (US\$ 1,000 thousand)	30,330 (US\$ 1,000 thousand)	-	-	0.12	7,874,700	Y	N	N
		AiST	Subsidiary	2,624,900	4,702 (US\$ 150 thousand)	4,550 (US\$ 150 thousand)	-	-	0.02	7,874,700	Y	N	N
		AdvanPOS	Subsidiary	2,624,900	31,345 (US\$ 1,000 thousand)	30,330 (US\$ 1,000 thousand)	-	-	0.12	7,874,700	Y	N	N
		A-DLog	Subsidiary	2,624,900	33,640 (EUR 1,000 thousand)	32,430 (EUR 1,000 thousand)	-	-	0.13	7,874,700	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	\$ 2,624,900	\$ 47,018 (US\$ 1,500 thousand)	\$ 45,495 (US\$ 1,500 thousand)	\$ -	\$ -	0.18	\$ 7,874,700	Y	N	N
		AAU	Subsidiary	2,624,900	6,269 (US\$ 200 thousand)	6,066 (US\$ 200 thousand)	-	-	0.02	7,874,700	Y	N	N
		AKR	Subsidiary	2,624,900	1,567 (US\$ 50 thousand)	1,517 (US\$ 50 thousand)	-	-	0.01	7,874,700	Y	N	N
		Shenzhen Cermate Technologies Inc.	Subsidiary	2,624,900	16,682 (US\$ 550 thousand)	16,682 (US\$ 550 thousand)	-	-	0.07	7,874,700	Y	N	Y
		Advantech LNC Dong Guan Co., Ltd.	Subsidiary	2,624,900	60,660 (US\$ 2,000 thousand)	60,660 (US\$ 2,000 thousand)	-	-	0.24	7,874,700	Y	N	Y

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

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

Note C: The exchange rates as of March 31, 2017 were US\$1=NT\$30.33 and EUR1=NT\$32.43.

Note D: The latest net equity is from the financial statements year ended December 31, 2016.

(Concluded)

TABLE 3**ADVANTECH CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****FOR THE THREE MONTHS ENDED MARCH 31, 2017****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,229,461	\$ 1,568,838	0.01	\$ 1,568,838	Note A
	Pegatron Corp.	-	Same as above	1,540,570	138,343	-	138,343	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	43,920	0.02	43,920	Note A
	<u>Fund</u>							
	Capital Money Market	-	Available for sale financial assets - current	3,126,524	50,007	-	50,007	Note B
	Mega Diamond Money Market	-	Same as above	38,651,893	480,370	-	480,370	Note B
Advantech Corporate Investment	FSITC Money Market	-	Same as above	2,092,804	370,133	-	370,133	Note B
	<u>Stock</u>							
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,501,000	91,537	5.03	91,537	Note A
	BroadTec System Inc.	-	Available for sale financial assets - noncurrent	182,700	1,500	7.50	1,500	-
	BiosenseTek Corp.	-	Same as above	37,500	375	1.79	375	-
	Jaguar Technology	-	Same as above	500,000	7,500	16.67	7,500	-
	Allied Circuit Co., Ltd.	-	Same as above	299,000	10,944	0.60	10,944	Note A
	Phison Electronics Corporation	-	Available for sale financial assets - current	1,500,000	408,750	0.76	408,750	Note A
	Radiant Opto-Electronics Corporation	-	Same as above	446,000	28,455	0.10	28,455	Note A
	Lelon Electronics Corporation	-	Same as above	1,275,000	49,088	0.97	49,088	Note A
	<u>Fund</u>							
	Mega Diamond Money Market	-	Same as above	27,404,353	340,584	-	340,584	Note B
	FSITC Money Market	-	Same as above	2,349,453	415,524	-	415,524	Note B
	Taishin 1699 Money Market	-	Same as above	9,710,550	130,206	-	130,206	Note B
Advanixs Corporate	<u>Fund</u>							
	Jih Sun Money Market	-	Same as above	41,223,306	605,265	-	605,265	Note B
	CTBC Hwa-win Money Market Fund	-	Same as above	2,290,363	25,021	-	25,021	Note B
	Mega Diamond Money Market	-	Same as above	4,911,432	61,040	-	61,040	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AiST	<u>Fund</u> Jih Sun Money Market	-	Available for sale financial assets - current	4,003,401	\$ 58,780	-	\$ 58,780	Note B
ALNC	<u>Fund</u> Mega Diamond Money Market	-	Same as above	4,470,587	55,561	-	55,561	Note B
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Same as above	11,835,929	147,098	-	147,098	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	319,290	5,107	-	5,107	Note B
Cermate	<u>Fund</u> Mega Diamond Money Market	-	Same as above	2,016,087	25,056	-	25,056	Note B

Note A: Market value was based on the closing price on March 31, 2017.

Note B: Market value was based on the net asset values of the open-ended mutual funds on March 31, 2017.

(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 THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> FSITC Money Market	Available for sale financial assets - current	-	-	1,698,386	\$ 300,000	2,092,804	\$ 370,000	1,698,386	\$ 300,178	\$ 300,000	\$ 178	2,092,805	\$ 370,000

TABLE 5

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 THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,063,897	5.41	\$ -	-	\$ 564,096	\$ -
	AEU	Subsidiary	1,046,624	3.90	-	-	239,665	-
	AJP	Subsidiary	171,160	3.52	-	-	-	-
	AKMC	Subsidiary	112,335	7.65	-	-	134,736	-
	AKR	Subsidiary	104,953	9.15	-	-	33,360	-
	ANA	Subsidiary	786,923	7.25	-	-	632,227	-
AKMC	The Company	Parent company	914,902	8.96	-	-	379,703	-
Advanixs Kun Shan Corp.	AKMC	Related enterprise	113,327	2.48	-	-	-	-
Advanixs Corporate	AKMC	Related enterprise	560,147	5.08	-	-	-	-
	The Company	Parent company	398,006	4.21	-	-	-	-
Advan POS	The Company	Parent company	422,678	6.38	-	-	-	-

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

TABLE 6

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 THREE MONTHS ENDED MARCH 31, 2017

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

Buyer	Related Party	Relationship	Transaction Details (Note C)				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	ACN	Subsidiary	Sale	\$ (1,275,311)	17.82	45 days after month-end	Contract price	No significant difference in terms for related parties	\$ 1,063,897	20.52	Note A
	AEU	Subsidiary	Sale	(974,882)	13.62	30 days after month-end	Contract price	No significant difference in terms for related parties	1,043,646	20.13	
	AJP	Subsidiary	Sale	(169,667)	2.37	60-90 days	Contract price	No significant difference in terms for related parties	170,421	3.29	Note B
	AKMC	Subsidiary	Sale	(325,365)	4.55	45 days after month-end	Contract price	No significant difference in terms for related parties	112,326	2.17	
	AKR	Subsidiary	Sale	(231,815)	3.24	60 days after invoice date	Contract price	No significant difference in terms for related parties	104,429	2.01	
	ANA	Subsidiary	Sale	(1,724,830)	24.11	45 days after month-end	Contract price	No significant difference in terms for related parties	785,199	15.14	
	Advanixs Corporate	Subsidiary	Sale	(103,934)	1.45	60-90 days	Contract price	No significant difference in terms for related parties	27,154	0.52	
	AKMC	Subsidiary	Purchase	2,382,115	47.64	Usual trade terms	Contract price	No significant difference in terms for related parties	(914,902)	31.69	
	Advanixs Corporate	Subsidiary	Purchase	539,267	10.78	Usual trade terms	Contract price	No significant difference in terms for related parties	(398,006)	13.79	
	AdvanPOS	Subsidiary	Purchase	616,176	12.32	Usual trade terms	Contract price	No significant difference in terms for related parties	(422,678)	14.64	
AKMC	The Company	Parent company	Sale	(2,382,115)	94.74	Usual trade terms	Contract price	No significant difference in terms for related parties	914,902	92.22	
Advanixs Corporate	The Company	Parent company	Sale	(539,267)	35.37	Usual trade terms	Contract price	No significant difference in terms for related parties	398,006	38.52	
AdvanPOS	The Company	Parent company	Sale	(616,176)	99.65	Usual trade terms	Contract price	No significant difference in terms for related parties	422,678	99.91	
ACN	The Company	Parent company	Purchase	1,275,311	70.87	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,063,897)	78.72	
AEU	The Company	Parent company	Purchase	974,882	81.32	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,043,646)	89.47	
AJP	The Company	Parent company	Purchase	169,667	89.75	60-90 days	Contract price	No significant difference in terms for related parties	(170,421)	96.76	
AKMC	The Company	Parent company	Purchase	325,365	13.85	45 days after month-end	Contract price	No significant difference in terms for related parties	(112,326)	6.23	
AKR	The Company	Parent company	Purchase	231,815	68.12	60 days after invoice date	Contract price	No significant difference in terms for related parties	(104,429)	60.83	
ANA	The Company	Parent company	Purchase	1,724,830	88.91	45 days after month-end	Contract price	No significant difference in terms for related parties	(785,199)	91.82	
Advanixs Corporate	The Company	Parent company	Purchase	103,934	7.67	60-90 days	Contract price	No significant difference in terms for related parties	(27,154)	3.74	
AKMC	ACN	Related enterprise	Sale	(117,268)	4.66	Usual trade terms	Contract price	No significant difference in terms for related parties	52,687	5.31	
Advanixs Corporate	AKMC	Related enterprise	Sale	(760,867)	1.60	Usual trade terms	Contract price	No significant difference in terms for related parties	560,147	54.21	
ACN	AKMC	Related enterprise	Purchase	117,268	6.52	Usual trade terms	Contract price	No significant difference in terms for related parties	(52,687)	3.90	
AKMC	Advanixs Corporate	Related enterprise	Purchase	760,867	32.39	Usual trade terms	Contract price	No significant difference in terms for related parties	(560,147)	31.08	

(Continued)

Note A: Unrealized gain for the period was \$525 thousand.

Note B: Realized gain for the period was \$1,951 thousand.

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

(Concluded)

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				March 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	\$ 1,000,207	\$ 1,000,207	29,623,834	100.00	\$ 3,867,084	\$ 55,308	\$ 55,718	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,101,412	6,582	8,965	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	1,086,222	115,528	106,114	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	1,698,783	29,096	29,486	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.99	464,091	27,971	7,269	Equity-meth investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	460,572	460,572	20,438,000	100.00	601,092	26,831	23,725	Subsidiary
	ALNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	431,634	431,634	24,350,000	81.17	487,710	1,628	1,328	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	9,496	2,010	591	Equity-meth investee
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	462	(142)	(142)	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	12,572,024	100.00	812,675	154	(520)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	76,247	4,184	4,184	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	37,339	(726)	(726)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	221,353	5,021	5,021	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	48,482	5,367	5,367	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	250,938	22,527	22,527	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	76,975	3,572	2,858	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,406	773	773	Subsidiary
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	157,915	157,915	10,000,000	100.00	165,341	4,886	4,886	Subsidiary
	BEMC	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	6	60.00	1,839,005	11,202	6,721	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	66	59	59	Subsidiary
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile system	135,000	135,000	13,500,000	45.00	100,761	(18,843)	(8,479)	Equity-meth investee
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	61,632	-	17,280	36.00	58,369	(9,063)	(3,263)	Subsidiary (Note B)
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	40,885	-	11,520	24.00	38,710	(9,063)	(2,175)	Subsidiary (Note B)
Advantech Corporate Investment	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	119,308	3,825	2,494	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	16,102	25	10	Equity-meth investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	3,023,558	21,311	23,694	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,178,403	19,307	19,370	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,825,070	36,002	36,348	Subsidiary
ANA	BEMC	Delaware, USA	Sale of industrial network communications	1,328,004	1,328,004	4	40.00	1,234,471	11,202	4,481	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	11,314,280	100.00	841,369	5,545	4,871	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	16,922	(5,170)	(5,170)	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	463,014	(1,151)	(1,825)	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	18,855	1,626	830	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	2,472	156	156	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	77,110	5,456	5,456	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				March 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
ALNC	Better Auto	BVI	General investment	\$ 264,445	\$ 264,445	8,556,096	100.00	\$ 79,226	\$ 4,215	\$ 4,206	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	53,337	4,018	4,018	Subsidiary
BEMC	Avtek	Delaware, USA	Sale of industrial network communications systems	US\$ 99,850	US\$ 99,850	-	100.00	3,073,476	11,202	11,202	Subsidiary
Avtek	B+B	Delaware, USA	Sale of industrial network communications systems	US\$ 99,850	US\$ 99,850	384,111	100.00	3,073,476	11,202	11,202	Subsidiary
B+B	BBI	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	120,700	(7,946)	(7,946)	Subsidiary
	Quatech	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBI	B&B Electronics	Delaware, USA	Sale of industrial network communications systems	US\$ 1,314	US\$ 1,314	-	100.00	-	-	-	Subsidiary
	B+B (CZ)	Czech Republic	Sale of industrial network communications systems	-	-	-	99.99	159,616	24,356	24,356	Subsidiary
	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	87	(2,084)	(21)	Subsidiary
	B&B DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
B&B Electronics	B+B (CZ)	Czech Republic	Manufacturing of cellular and automation solution	-	-	-	0.01	-	-	-	Subsidiary
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	8,609	(2,084)	(2,063)	Subsidiary

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

Note B: In the first quarter of 2017, the Group made arrangement to acquire equity in AKST for US\$3,200 thousand.

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

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

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

**INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2017	Accumulated Inward Remittance of Earnings as of March 31, 2017
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note F)	Indirect	\$ 1,131,309 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,131,309 (US\$ 37,300 thousand)	\$ 15,647	100	\$ 18,030	\$ 2,594,361	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	161,720 (US\$ 5,332 thousand)	-	-	161,720 (US\$ 5,332 thousand)	56,165	100	56,145	1,127,898	340,667 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sale of industrial automation products	US\$ 8,000 thousand	Indirect	242,640 (US\$ 8,000 thousand)	-	-	242,640 (US\$ 8,000 thousand)	(4,027)	100	(3,661)	703,202	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	(16,560)	100	(16,560)	(8,697)	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	84	100	84	14,356	-
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	RMB 99,515 thousand			-	-	-	8,154	100	5,664	429,198	-

Accumulated Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,541,735 (US\$50,832 thousand) (Note E)	\$2,596,278 (US\$85,600 thousand)	\$15,860,722 (Note H)

(Continued)

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

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

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

Note D: Remittance by ACN.

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

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

Note G: The exchange rate was US\$1=NT\$30.33.

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

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

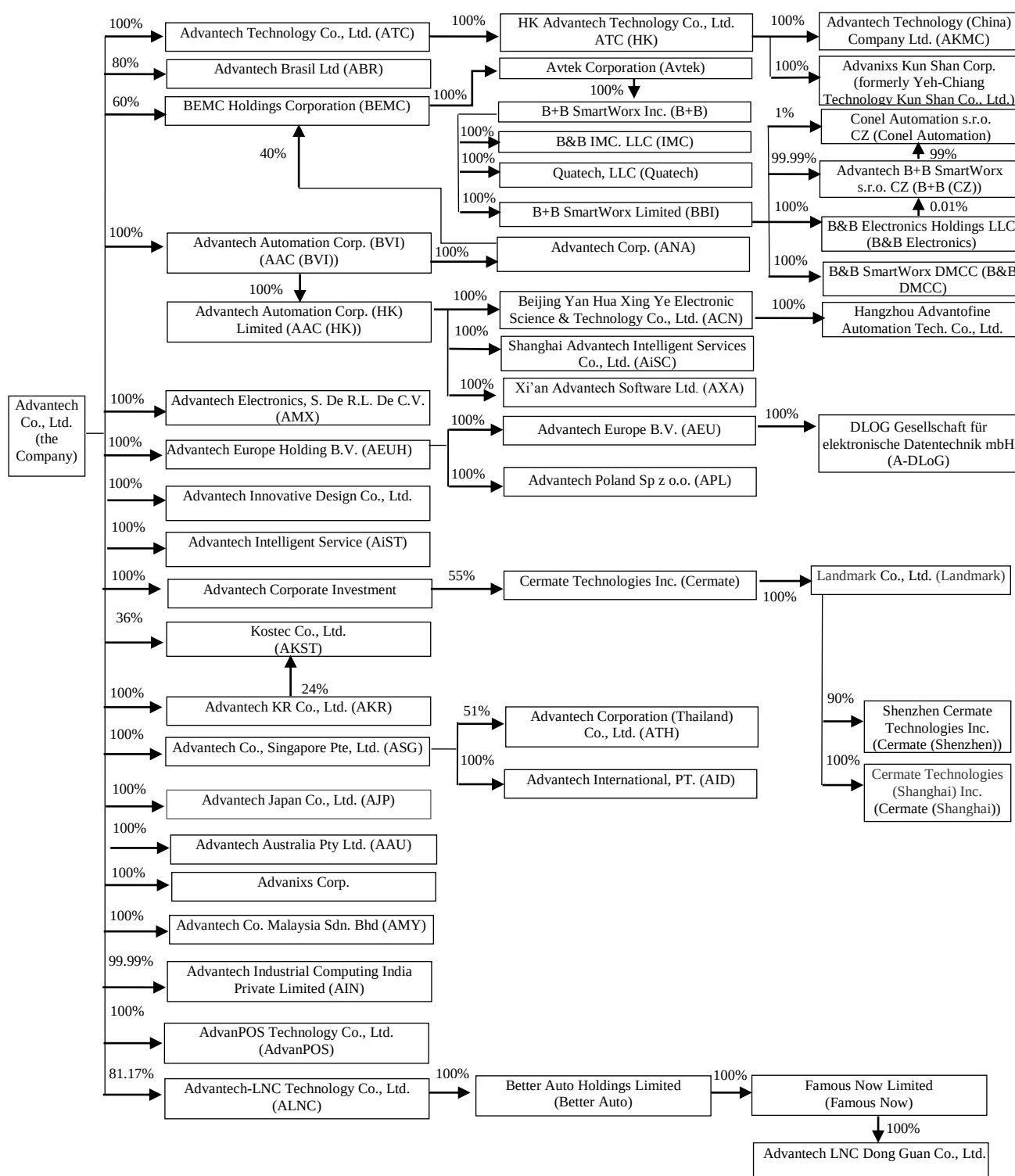
(Concluded)

TABLE 10

ADVANTECH CO., LTD. AND SUBSIDIARIES

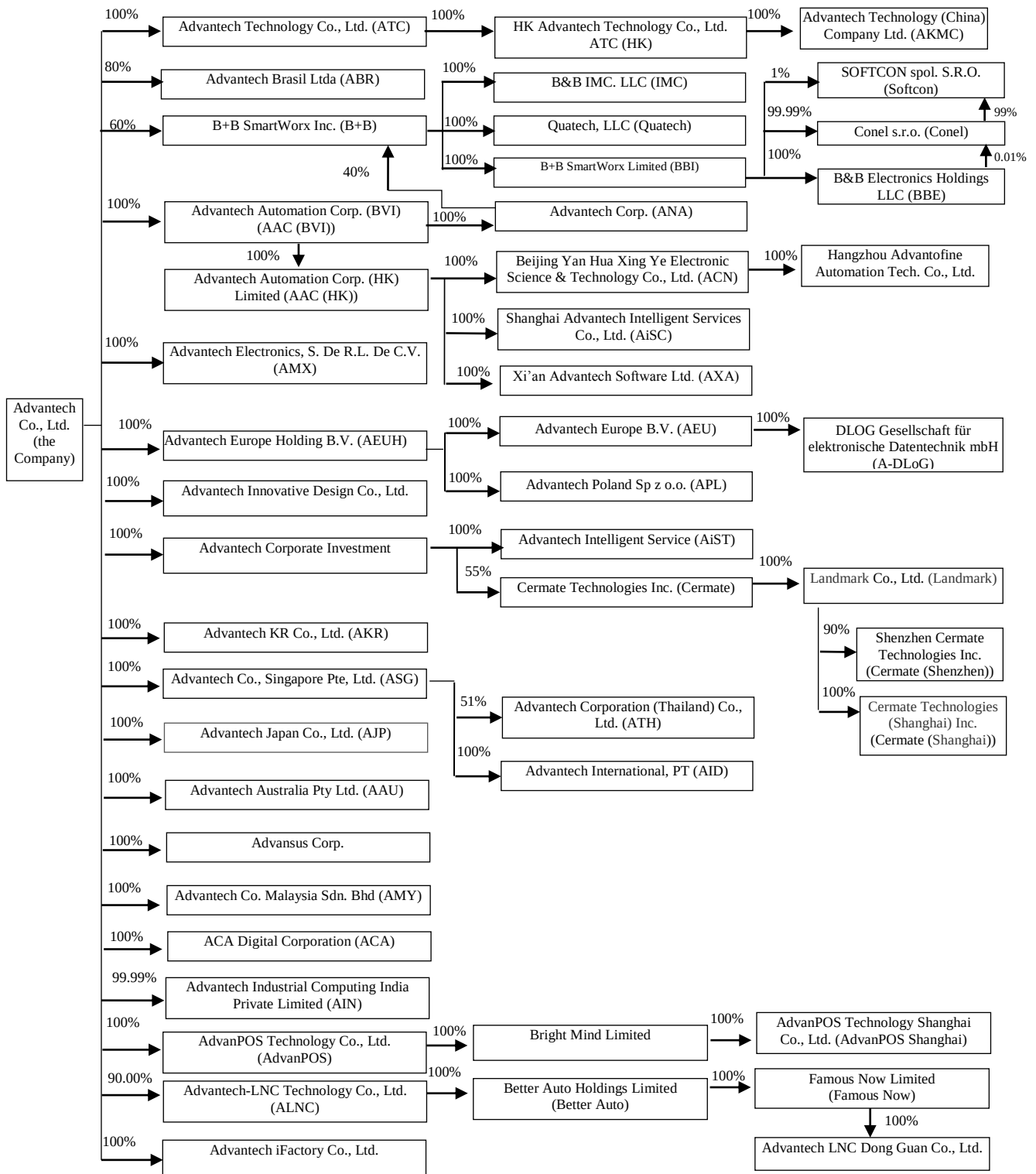
ORGANIZATION CHART
MARCH 31, 2017 AND 2016

Intercompany relationships and percentages of ownership as of March 31, 2017 are shown below:



(Continued)

Intercompany relationships and percentages of ownership as of March 31, 2016 are shown below:



(Concluded)

TABLE 10

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2017

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

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	The Company	AAC (HK)	1	Other receivables from related parties	\$ 35	45 days EOM	-
		AAU	1	Other revenue	241	Normal	-
		AAU	1	Other receivables from related parties	624	60-90 days	-
		AAU	1	Receivables from related parties	35,530	60-90 days	-
		AAU	1	Sales revenue	33,932	Normal	-
		ABR	1	Other revenue	256	Normal	-
		ABR	1	Other receivables from related parties	1,098	90 days EOM	-
		ABR	1	Receivables from related parties	8,026	90 days EOM	-
		ABR	1	Sales revenue	23,934	Normal	-
		ACN	1	Receivables from related parties	1,063,897	45 days EOM	3
		ACN	1	Sales revenue	1,275,311	Normal	13
		A-DLoG	1	Other revenue	664	Normal	-
		A-DLoG	1	Other receivables from related parties	344	30 days after invoice date	-
		A-DLoG	1	Receivables from related parties	14,686	30 days after invoice date	-
		A-DLoG	1	Sales revenue	35,890	Normal	-
		AEU	1	Sales revenue	974,882	Normal	10
		AEU	1	Other revenue	2,721	Normal	-
		AEU	1	Other receivables from related parties	2,978	30 days EOM	-
		AEU	1	Receivables from related parties	1,043,646	30 days EOM	3
		ADL	1	Other receivables from related parties	3	30 days EOM	-
		AID	1	Other receivables from related parties	3	45 days after invoice date	-
		AID	1	Receivables from related parties	4,017	45 days after invoice date	-
		AID	1	Sales revenue	3,251	Normal	-
		AIN	1	Sales revenue	6,738	Normal	-
		AIN	1	Other receivables from related parties	3,266	60 days EOM	-
		AIN	1	Receivables from related parties	23,789	60 days EOM	-
		AIN	1	Other revenue	11	Normal	-
		AiSC	1	Receivables from related parties	98,719	45 days EOM	-
		AiSC	1	Sales revenue	59,110	Normal	1
		AJP	1	Other revenue	815	Normal	-
		AJP	1	Other receivables from related parties	739	60-90 days	-
		AJP	1	Receivables from related parties	170,421	60-90 days	-
		AJP	1	Sales revenue	169,667	Normal	2
		AKMC	1	Receivables from related parties	112,326	45 days EOM	-
		AKMC	1	Other receivables from related parties	9	45 days EOM	-
		AKMC	1	Sales revenue	325,365	Normal	3

(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	\$ 946	Normal	-
		AKR	1	Other receivables from related parties	524	60 days after invoice date	-
		AKR	1	Receivables from related parties	104,429	60 days after invoice date	-
		AKR	1	Sales revenue	231,815	Normal	2
		AKST	1	Sales revenue	880	Normal	-
		AMY	1	Other revenue	485	Normal	-
		AMY	1	Other receivables from related parties	473	45 days EOM	-
		AMY	1	Receivables from related parties	30,272	45 days EOM	-
		AMY	1	Sales revenue	40,397	Normal	-
		ANA	1	Other revenue	4,224	Normal	-
		ANA	1	Other receivables from related parties	1,724	45 days EOM	-
		ANA	1	Receivables from related parties	785,199	45 days EOM	2
		ANA	1	Sales revenue	1,724,830	Normal	17
		APL	1	Receivables from related parties	2,155	45 days EOM	-
		APL	1	Sales revenue	2,937	Normal	-
		ASG	1	Other revenue	656	Normal	-
		ASG	1	Other receivables from related parties	686	60-90 days	-
		ASG	1	Receivables from related parties	52,713	60-90 days	-
		ASG	1	Sales revenue	67,686	Normal	1
		ATH	1	Other revenue	500	Normal	-
		B+B	1	Other receivables from related parties	13	60 days EOM	-
		ATH	1	Other receivables from related parties	258	30 days after invoice date	-
		ATH	1	Receivables from related parties	4,802	30 days after invoice date	-
		ATH	1	Sales revenue	14,309	Normal	-
		Cermate	1	Other revenue	300	Normal	-
		Advantech Corporate Investment	1	Rental revenue	9	Normal	-
		AiST	1	Receivables from related parties	1,027	30 days EOM	-
		AiST	1	Sales revenue	909	Normal	-
		ALNC	1	Other revenue	300	Normal	-
		ALNC	1	Sales revenue	1,241	Normal	-
		ALNC	1	Other receivables from related parties	253	60-90 days EOM	-
		ALNC	1	Receivables from related parties	608	60-90 days EOM	-
		Advanixs Corporate	1	Rental revenue	1,200	Normal	-
		Advanixs Corporate	1	Other receivables from related parties	5,051	60-90 days	-
		Advanixs Corporate	1	Receivables from related parties	27,154	60-90 days	-
		Advanixs Corporate	1	Sales revenue	103,934	Normal	1
		AdvanPOS	1	Other revenue	1,260	Normal	-
		AdvanPOS	1	Other receivables from related parties	441	60 days EOM	-
		AKST	1	Receivables from related parties	883	30 days EOM	-
		B+B	1	Receivables from related parties	5,788	60 days EOM	-
		B+B (CZ)	1	Sales revenue	699	Normal	-
		B+B	1	Sales revenue	10,368	Normal	-
1	AAC (HK)	The Company	2	Other receivables from related parties	1,353	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)
2	AAU	AEU	3	Receivables from related parties	\$ 223	30 days after invoice date	-
		The Company	2	Receivables from related parties	32	60-90 days	-
		The Company	2	Sales revenue	32	Normal	-
3	ABR	The Company	2	Sales revenue	13	Normal	-
		The Company	2	Receivables from related parties	1,225	30 days after invoice date	-
4	ACN	AEU	3	Sales revenue	2,535	Normal	-
		AEU	3	Receivables from related parties	2,886	30 days EOM	-
		AISC	3	Sales revenue	22,748	Normal	-
		AISC	3	Receivables from related parties	11,171	Immediate payment	-
		AKMC	3	Receivables from related parties	7,618	60-90 days	-
		AKMC	3	Sales revenue	7,917	Normal	-
		AKR	3	Receivables from related parties	478	45 days EOM	-
		AKR	3	Sales revenue	430	Normal	-
		ANA	3	Sales revenue	35	Normal	-
		ANA	3	Receivables from related parties	39	30 days EOM	-
		AXA	3	Other receivables from related parties	33,266	60 days EOM	-
		The Company	2	Sales revenue	269	Normal	-
5	A-DLoG	AAU	3	Receivables from related parties	323	30 days after invoice date	-
		AAU	3	Sales revenue	815	Normal	-
		ADL	3	Other receivables from related parties	6	30 days EOM	-
		ADL	3	Rental revenue	553	Normal	-
		ADL	3	Other revenue	546	Normal	-
		AKMC	3	Sales revenue	273	Normal	-
		AKMC	3	Receivables from related parties	268	60 days after invoice date	-
		AKR	3	Sales revenue	520	Normal	-
		ANA	3	Receivables from related parties	524	30 days EOM	-
		ANA	3	Sales revenue	470	Normal	-
		ASG	3	Sales revenue	11	Normal	-
		ASG	3	Receivables from related parties	11	30 days upon delivery	-
		The Company	2	Receivables from related parties	3,386	30 days after invoice date	-
		The Company	2	Sales revenue	14,363	Normal	-
6	AEU	The Company	2	Other receivables from related parties	32,420	60 days after invoice date	-
		AAU	3	Sales revenue	35	Normal	-
		ACN	3	Receivables from related parties	95	30 days after invoice date	-
		A-DLoG	3	Receivables from related parties	930	30 days upon delivery	-
		AJP	3	Receivables from related parties	9	90 days EOM	-
		AKMC	3	Receivables from related parties	117	30 days EOM	-
		A-DLoG	3	Sales revenue	5,188	Normal	-
		APL	3	Receivables from related parties	406	30 days after invoice date	-
		ANA	3	Receivables from related parties	3,059	30 days after invoice date	-
		AJP	3	Sales revenue	4	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)
		ANA	3	Sales revenue	\$ 3,337	Normal	-
		BBI	3	Receivables from related parties	416	30 days after invoice date	-
		The Company	2	Receivables from related parties	2,361	30 days EOM	-
		The Company	2	Sales revenue	2,587	Normal	-
		APL	3	Sales revenue	667	Normal	-
		BBI	3	Sales revenue	1,419	Normal	-
7	AID	ASG	3	Other revenue	1,079	Normal	-
		ASG	3	Other receivables from related parties	1,009	30 days EOM	-
		AKMC	3	Other receivables from related parties	26	45 days after invoice date	-
		ACN	3	Other revenue	27	Normal	-
8	AIN	The Company	2	Receivables from related parties	174	60 days EOM	-
9	AISC	AAC (HK)	3	Other receivables from related parties	4,422	90 days	-
		ACN	3	Sales revenue	4,056	Normal	-
		ACN	3	Other receivables from related parties	29,241	Immediate payment	-
		ACN	3	Receivables from related parties	2,995	Immediate payment	-
		ACN	3	Rental revenue	1,342	Normal	-
		AEU	3	Sales revenue	852	Normal	-
		AEU	3	Receivables from related parties	829	Immediate payment	-
		AKMC	3	Sales revenue	57	Normal	-
		AKMC	3	Receivables from related parties	1,078	30 days EOM	-
		The Company	2	Receivables from related parties	71	45 days EOM	-
		The Company	2	Sales revenue	72	Normal	-
10	AJP	ACN	3	Sales revenue	21	Normal	-
		AKMC	3	Receivables from related parties	1,493	45 days EOM	-
		AKMC	3	Other receivables from related parties	24	45 days EOM	-
		AKMC	3	Sales revenue	1,504	Normal	-
		The Company	2	Receivables from related parties	1	60-90 days	-
		The Company	2	Sales revenue	3	Normal	-
11	AKMC	ACN	3	Other receivables from related parties	216	60 days EOM	-
		ACN	3	Rental revenue	974	Normal	-
		ACN	3	Sales revenue	117,268	Normal	1
		ACN	3	Receivables from related parties	52,687	60-90 days	-
		AEU	3	Sales revenue	4,288	Normal	-
		AEU	3	Receivables from related parties	3,743	30 days after invoice date	-
		AISC	3	Sales revenue	23,135	Normal	-
		AISC	3	Receivables from related parties	17,859	Immediate payment	-
		ANA	3	Sales revenue	319	Normal	-
		ANA	3	Receivables from related parties	182	60-90 days	-
		The Company	2	Sales revenue	2,382,115	Normal	24
		The Company	2	Receivables from related parties	914,902	60 days EOM	3

(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)
		Advanixs Corporate	3	Receivables from related parties	\$ 305	Immediate payment	-
		Advanixs Corporate	3	Sales revenue	889	Normal	-
		Advanixs Kun Shan Corp.	3	Sales revenue	266	Normal	-
		Advanixs Kun Shan Corp.	3	Receivables from related parties	303	30 days EOM	-
		AdvanPOS	3	Sales revenue	1,769	Normal	-
		AdvanPOS	3	Receivables from related parties	1,245	30 days EOM	-
12	AKR	AdvanPOS	3	Receivables from related parties	76	30 days EOM	-
		The Company	2	Receivables from related parties	2	90 days EOM	-
		The Company	2	Sales revenue	3	Normal	-
13	AKST	The Company	2	Receivables from related parties	283	30 days EOM	-
		AKMC	3	Receivables from related parties	23	30 days EOM	-
		The Company	2	Sales revenue	59	Normal	-
		AKMC	3	Sales revenue	23	Normal	-
14	AMY	ASG	3	Sales revenue	30	Normal	-
		ASG	3	Other receivables from related parties	29	30 days EOM	-
		ATH	3	Other revenue	85	Normal	-
		AID	3	Other receivables from related parties	19	30 days EOM	-
		ATH	3	Other receivables from related parties	28	30 days EOM	-
15	ANA	AEU	3	Sales revenue	2,242	Normal	-
		AEU	3	Receivables from related parties	859	60-90 days	-
		B+B	3	Rental revenue	361	Normal	-
		B+B	3	Other receivables from related parties	15,165	Financing	-
		AKMC	3	Receivables from related parties	3,892	30 days EOM	-
		B+B	3	Interest revenue	114	Normal	-
		AKMC	3	Sales revenue	4,011	Normal	-
		AKR	3	Sales revenue	370	Normal	-
		AdvanPOS	3	Sales revenue	44,236	Normal	-
		The Company	2	Receivables from related parties	9,401	45 days EOM	-
		The Company	2	Sales revenue	13,114	Normal	-
		Advanixs Corporate	3	Sales revenue	1,838	Normal	-
		Advanixs Corporate	3	Receivables from related parties	1,869	90 days after invoice date	-
		AdvanPOS	3	Receivables from related parties	28,873	30 days after invoice date	-
16	APL	AEU	3	Receivables from related parties	5,625	30 days after invoice date	-
		AEU	3	Sales revenue	12,179	Normal	-
		AEU	3	Commission revenue	2,084	Normal	-
		AJP	3	Receivables from related parties	6	60 days EOM	-
		AAU	3	Receivables from related parties	4	30 days after invoice date	-
		ANA	3	Receivables from related parties	4	30 days after invoice date	-
		The Company	2	Receivables from related parties	43	30 days after invoice date	-
		The Company	2	Sales revenue	4	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)
17	ASG	AMY	3	Receivables from related parties	\$ 520	30 days EOM	-
		AMY	3	Sales revenue	2,007	Normal	-
		ATH	3	Sales revenue	113	Normal	-
		ATH	3	Other revenue	702	Normal	-
		ATH	3	Receivables from related parties	112	30 days EOM	-
		The Company	2	Sales revenue	132	Normal	-
18	ATC	The Company	2	Receivables from related parties	64,222	60 days EOM	-
19	AXA	ACN	3	Other receivables from related parties	1,732	30 days EOM	-
20	B+B	The Company	2	Receivables from related parties	3,284	90 days EOM	-
		The Company	2	Sales revenue	4,130	Normal	-
21	B+B (CZ)	Conel Automation	3	Receivables from related parties	65	45 days EOM	-
		BBI	3	Receivables from related parties	295	45 days EOM	-
		B+B	3	Receivables from related parties	6,156	45 days EOM	-
		Conel Automation	3	Other receivables from related parties	970	45 days EOM	-
		BBI	3	Sales revenue	417	Normal	-
		B+B	3	Sales revenue	9,851	Normal	-
		Conel Automation	3	Other revenue	748	45 days EOM	-
		The Company	2	Receivables from related parties	1,392	45 days EOM	-
		Conel Automation	3	Sales revenue	67	Normal	-
		The Company	2	Sales revenue	1,626	Normal	-
		Conel Automation	3	Interest revenue	73	Normal	-
22	BBI	B+B (CZ)	3	Other receivables from related parties	65	45 days EOM	-
23	Better Auto	Advantech LNC Dong Guan Co., Ltd.	3	Other receivables from related parties	32,441	Financing	-
24	Conel Automation	B+B (CZ)	3	Receivables from related parties	29	45 days EOM	-
		B+B (CZ)	3	Sales revenue	25	Normal	-
25	Advanixs Kun Shan Corp.	AKMC	3	Receivables from related parties	113,327	30 days EOM	-
		AKMC	3	Sales revenue	79,737	Normal	1
26	Advantech LNC Dong Guan Co., Ltd.	ACN	3	Sales revenue	1,547	Normal	-
		ALNC	3	Sales revenue	491	Normal	-
		ACN	3	Receivables from related parties	595	90 days EOM	-
		ALNC	3	Receivables from related parties	547	90 days EOM	-
27	Cermate	The Company	2	Receivables from related parties	5	30-60 days	-
		The Company	2	Sales revenue	1,099	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	27,168	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	24,546	30 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	Cermate (Shenzhen)	AKMC	3	Receivables from related parties	\$ 4,409	40 days EOM	-
		AKMC	3	Sales revenue	8,870	Normal	-
		Cermate (Shanghai)	3	Sales revenue	6,994	Normal	-
		Cermate	3	Sales revenue	3,914	Normal	-
		Cermate (Shanghai)	3	Receivables from related parties	911	30 days EOM	-
		Cermate	3	Receivables from related parties	2,168	30 days EOM	-
29	Hangzhou Advantofine Automation Tech. Co., Ltd.	ACN	3	Sales revenue	4,257	Normal	-
30	Advantech Innovative Design Co., Ltd.	The Company	2	Receivables from related parties	570	30 days EOM	-
31	Advanixs Corporate	AKMC	3	Receivables from related parties	560,147	60-90 days	1
		AKMC	3	Sales revenue	760,867	Normal	8
		The Company	2	Receivables from related parties	398,006	60-90 days	1
		The Company	2	Sales revenue	539,267	Normal	5
		Cermate	3	Sales revenue	202	Normal	-
		Cermate	3	Receivables from related parties	212	30 days EOM	-
32	ALNC	The Company	2	Receivables from related parties	945	60 days EOM	-
		The Company	2	Other receivables from related parties	138	60 days EOM	-
		The Company	2	Rental revenue	414	Normal	-
		The Company	2	Sales revenue	900	Normal	-
		Advantech LNC Dong Guan Co., Ltd.	3	Sales revenue	59,479	Normal	1
		Advantech LNC Dong Guan Co., Ltd.	3	Receivables from related parties	98,949	90 days EOM	-
33	AdvanPOS	The Company	2	Receivables from related parties	422,678	60 days EOM	1
		The Company	2	Sales revenue	616,176	Normal	6
		Advanixs Corporate	3	Sales revenue	2,033	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 March 31, 2017, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2017.

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

(Concluded)