ADVANTECH

Enabling an Intelligent Planet

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Advantech Co., Ltd.
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Letter to Shareholders

Dear Shareholders,

2017 Summary of Results

In 2017, Advantech reported consolidated revenues of NT$ 44.4 billion, an increase of ten percent over the NT$42 billion of 2016. Net income was NT$6.15 billion and earnings per share were NT$8.84. Gross profit margin was 39.2 percent, compared with 40.8 percent in 2016, and operating profit margin was 15.3 percent compared with 15.8 percent a year earlier. Net profit margin was 13.86 percent, an increase of 0.32 percentage points from the previous year's 13.54 percent.

Our Development for IoT

Since 2016, Advantech has gradually experienced rising demand in industry 4.0 and smart factory applications. In 2017, Advantech experienced a strong growth demand from the industrial IoT business segment. However, due to a strong NT$ value appreciation, Advantech only delivered single digit top line growth in 2017. Looking forward, Advantech maintains a positive view on the outlook for industrial IoT application markets. In addition to the more comprehensive internet infrastructure development, the support and acceleration from industrial companies like GE, Schneider, Honeywell, Siemens, and service providers like Microsoft, Amazon, and Google, are essential catalysts for growth in the IoT industry.

Key Strategies in the Three Waves of Growth for the IoT Industry

- **The 1st Wave of IoT Growth: Embedded Platforms.**

  The first wave kicked off in 2010 and will gradually mature in 2020. The major beneficiaries are IoT device providers and IoT embedded system providers like Advantech. Advantech's strong position in embedded platforms will accelerate the deployment of "Machine to Machine" and "Intelligent Equipment" application markets. In addition, Advantech views that a sharing economy is vital for future success and would like to share our accumulated IP database with alliance partners and through our technology service unit (TSU) and allied DMS collaboration.

- **The 2nd Wave of IoT Growth (year 2015~2025): WISE-PaaS and Solution Ready Packages (SRP).**

  The second wave started from 2016 and will accelerate the growth catalysts in 2018~2020. The second wave will mature in 2025 and merge into the third wave of IoT growth. Advantech foresees that companies with the capability to provide hardware and software integration services will be the major beneficiaries in the second wave of IoT growth. Advantech's WISE-PaaS software platform is designed with industrial IoT users in mind. Based on Advantech's niche in edge computing, WISE-PaaS will assist third party partners to develop comprehensive cloud based service platforms and industrial IoT solutions. Our mission is to combine software and hardware solutions to facilitate our customers and IoT cloud service providers in IoT solution deployment.

- **The 3rd Wave of IoT Growth: Co-Creation.**

  System integrators and cloud service providers will be the main beneficiaries in the 3rd wave of IoT growth. Advantech will focus and strengthen our core competence in industrial IoT applications and embedded systems to empower the 3rd wave of IoT growth through a ”co-creation” model. Future IoT cloud service providers might not exist right now so Advantech intends to implement a co-creation model to facilitate those start-up companies who would be able to enjoy better growth potential. In the future, Advantech will strengthen our role as the accelerator of the intelligent planet, to facilitate system integrators' capabilities in each vertical market, and to provide a differentiated customer service to foster a cross-sector alliance and diverse vertical market ecosystem.

2018 Outlook

Advantech reported record high revenues and net income in 2017, but the 5% revenue growth was below Advantech's past 10 year CAGR growth, due to the impact from a strong NT$ value appreciation. In the US$, Advantech achieved US$1.45M revenue, a 12% YoY revenue growth in 2017. Looking forward in 2018, Advantech expects to achieve a profitable revenue growth target on the back of increasing penetration of IoT adoption, our leadership in intelligent systems, and our differentiated value-added services, which should reduce the uncertainty from macro-economic impacts. In the long run, Advantech is determined to achieve our 2020 vision.

Strengthening Corporate Governance and Business Leadership

Advantech has been marketed as an industrial brand since the company started in 1983 and now Advantech has operations in 23 countries around the world. In 2017, Advantech was recognized in a top international brand award as the only B2B company in the top 10 of Taiwan International Brands. The Advantech brand was valued US$484M in 2017. To enhance corporate governance and comply with international trends, we transformed our board organization from a supervisory system, to an independent directors system starting in 2017. Our goal is the pursuit of excellence and sustainable operation and Advantech has established its LITA altruistic spirit at the core of its business culture, along with its quest for the best and balanced interests of society, shareholders, customers, and employees.

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

II. Company Profile

2.1 Date of incorporation: September 7, 1981

2.2 Company history

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

assurance laboratory to significantly improve product quality.
Symbol of Taiwan Excellence Winner (MOEA, Taiwan, R.O.C.) for the ADAM-4000 series.

1997 Approved for public offering.
Increased the authorized capital to NT$1,000,000,000 and paid-in capital to NT$475,000,000.
Established an audit office as well as internal control and audit systems.
Established subsidiaries in Japan, the UK, and France with 100% equity acquired.
Merged the U.S. subsidiary with 72.03% equity acquired.
Received the 5th Taiwan Industrial Technology Advancement Most Outstanding Award (MOEA, Taiwan, R.O.C.).
Symbol of Taiwan Excellence Winner for the PPC-102 series.

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

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

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

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

2002 Increased the paid-in capital to NT$2,855,291,000.
Established AASC and invested in ABB and Axiomtek Co., Ltd. Received “2002 Headquarters Operation Certification” (Industrial Development Bureau, MOEA, Taiwan, R.O.C.).

Implemented the Innovation Center Operations Plan Embedded Systems R&D Center with approval from the Department of Industrial Technology (MOEA, Taiwan, R.O.C.).
Accepted as the sole Gold-Level Partner in Microsoft's Windows Embedded Partner ODM Category.
Symbol of Taiwan Excellence Winner for the EH-7102G/GH Home Appliance and WebLink2059-BAR/CE/SDA/SKT Web-Enabled Device Connection via PC Card.

2003 Increased the paid-in capital to NT$3,413,039,000.
Established AEU and invested in Advantech Consulting Co., Ltd.
Received "2003 Headquarters Operation Certification" from the Industrial Development Bureau (MOEA).
Symbol of Taiwan Excellence Winner for the ADAM-6000 series of intelligent data acquisition network control modules.

2004 Increased the paid-in capital to NT$3,742,962,000.
Won first prize in the 2004 Control Design (USA) Reader's Choice Award for single-board computers.
Received first prize for the 2004 Editor's Choice Award under the human–machine interface (HMI) category from the magazine Control Engineering (USA) for the FPM-3170 17" Flat Panel Monitor.

2005 Increased the paid-in capital to NT$4,489,003,000.
Formed a strategic alliance with AsusTek; Advantech acquired 1.36% equity of AsusTek and AsusTek acquired 15% equity of Advantech through stock swap.
Symbol of Taiwan Excellence Winner for the TPC-60S, UNO-3062, and AWS-8100G.
Received third prize in the 2005 Readers' Choice Award for Industrial Computers from Control Buyer's Guide (USA).
Embedded Control Europe magazine readers nominated the TREK-755 Sunlight Readable Model for the Gold Award of the 13th MOEA Industrial Technology Advancement Award of Excellence.

2006 Increased the paid-in capital to NT$4,636,295,000.
Received the Readers' Choice Award for single-board computers from Control Design.
Received the 2nd Corporate Social Responsibility Award from the magazine Global Views (Taiwan, R.O.C.).
Received The Most Growth in Asia Award from Microsoft.
Received the Intel Associate Partner of the Year and Multi-Core Solution Contest Award.

2007 Increased the paid-in capital to NT$4,915,770,000.
Received the 3rd Corporate Social Responsibility Award, Top Honor for 2006 from Global Views (Taiwan, R.O.C.).
Received the 1st Corporate Social Responsibility Award from CommonWealth Magazine (Taiwan, R.O.C.)
Received the Computex Taipei Best Choice Award for the ARK-3381.
15th Symbol of Taiwan Excellence Winner for the UibQ-230, ARK-4170, and ADAM-5550.

2008 Increased the paid-in capital to NT$5,113,458,000.
Received 4th prize in the 2nd Corporate Social Responsibility Award from CommonWealth Magazine.
16th Symbol of Taiwan Excellence Winner for the UbiQ350, VITA350, UNO-2182, TPC-30T, TPC-32T, IPPC-7157A, and IPPC-7158B.

Established Shanghai Advantech Intelligent Services Co., Ltd. (AiSC).
Established Xi'An Advantech Software Co., Ltd.
Acquired Advantech Yang-Kwong Building as an office building in Neihu District, Taipei City.

2009 Increased the paid-in capital to NT$5,161,337,000.
Received the Decade Industrial Contribution and Decade Leading Industry awards from Chinagkong.
18th Symbol of Taiwan Excellence Winner for the IPPC-8151S series, APAX-5000 series, UNO-1100 series, UTC-W101E, NCP-7560, and MIC-5322.
Advantech and the U.S. subsidiary jointly acquired 60% equity of Advantech Brazil S/A (ABR).

2010 Advantech Co., Ltd. established Advantech Intelligent Co., Ltd.
Decreased the paid-in capital to NT$5,016,337,000.
Received the Taiwan Top 12 Global Brands Award.
Advantech paid EUR12.85 million to acquire 100% equity of DLoG GmbH Company of Augusta Technologies AG.
Advantech paid ₩2,668 million to acquire 100% equity of Advantech KR Co., Ltd. of SG Advantech Co., Ltd.
Advantech paid £3.34 million to acquire 100% equity of Innocore Gaming Ltd.

2011 Increased the paid-in capital to NT$5,517,971,000.
Advantech paid NT$93 million to acquire 99.36% equity of ACA.
19th Symbol of Taiwan Excellence Winner for the ARK-VH200, FWA-6500, NCP-5260, PC/104, PCM 9562, PIT-1501W, SOM-5788, Advantech Touch Panel Computer, and TREK-550.
Received the Taiwan Top 10 Global Brands Award.

2012 Increased the paid-in capital to NT$5,639,971,000.
Advantech paid NT$306 million to acquire 50% equity of Advansus Corp.
20th Symbol of Taiwan Excellence Winner for the TREK-753, FPM-8151H, ADAM-6117, ADAM-6118, ADAM-6150, ADAM-6151, ADAM-6156, ADAM-6160, SOM-7562, MIO-5270, MIO-2260, PCM-3363, AIMB-213, UNO-4600 series, ITM-5115R-PA1E, ARK-DS220, ARK-DS520, and IPC-6025.
Ranked 11th for the Taiwan 2012 Top-20 Global Brand Award with a brand value of US$260 million.
Established a subsidiary in India (AIN).

2013 Increased the paid-in capital to NT$5,652,059,000.
Ranked 11th in the 2012 Corporate Citizen Award from CommonWealth Magazine.
Advantech Industrial Automation Group HMI TPC and SPC series won the 2013 iF Product Design Award in Germany.
21st Symbol of Taiwan Excellence Winner for the FWA-6510, MIC-5332, ATCA-7310, MIO-5250, MIO-2261, PCM-9389, ARK-1120, ARK-DS262, ARK-DS762, UBC-D31, IDS-3115, IDK-2131, TREK-722, TPC-671/1071/1271/1571, WebOP, BEMG-4110/4220, ADAM-2000, and EKI-6340.
Paid NT$319 million to acquire 70.2% equity of POS manufacturer AdvanPOS.
Paid NT$730 million to acquire 100% equity of the controller manufacturer LNC.
Paid £5.85 million to acquire 100% equity of the wisdom embedded displays manufacturer GPEG (UK).

2014 Increased the paid-in capital to NT$5,714,511,000.
Established Advantech Plus Technology Center (A+TC), Kunshan, China.
Grand opening of the Advantech Linkou IoT Campus.
Received the CSR Best Workplace Excellence Award from Global Views Monthly in 2014.
22nd Symbol of Taiwan Excellence Winner for the CGS-6000, ATCA-9112, Advantech WebAccess, APAX-5620, IDK-2110, TPC-1840WP, TPC-2140WP, SPC-1840WP, FPM-7181W, FPM-7211W, ADAM-6200 series, EKI-3000 series, SOM-5894, ARK-1122F, UBC-200, SOM-7567, SOM-3565, MIC-5333, AMiS-50, POC-W181, and IPS-M420.
Formally established the Advantech Investment Department to actively deploy solutions for smart city and IoT markets.
Composed Advantech Global smart city case studies for the publication of “Smart City” in Simplified and Traditional Chinese as well as English.

2015 Increased the paid-in capital to NT$6,318,531,000.
23rd Symbol of Taiwan Excellence Winner for the TREK-674, TREK-306, PWS-870, UTX-3115, DPX-435 (with the DPX-S1000 chassis), SOM-5893, SOM-6896, UBC-220, PCIE-181X, Mic-3100, ARK-2151V, DS-862, MIT-M101, ATCA-9223, EKI-9778, UNO-2000 series, IDS-3121W, WebAccess 8.0, Pocket Pad, and ARK-5261.
23rd Symbol of Taiwan Excellence Award Gold and Silver Medal Nominee for the MIT-M101 and MICA-071.

2016 Increased the paid-in capital to NT$6,326,091,000.
24th Symbol of Taiwan Excellence Winner for the ASR-3100, POC-W242, TREK-733L, TREK-973, DPX-E135, MIO-3260, EKI 5 series, SOM-7568 TPC, WISE4 series, WISE-3100, ARS-2510, UNO-3483G, TREK-773, ITA-2230, ROM-7421, IDS-3118W, AIMB-T1215, DS-270, APAX-5580, ARK-2230, UNO 1 series, and IPS-M420S; and Taiwan Excellence Award Gold and Silver Medal Nominee for the REK-773.
Received the 2016 iF product design award in Germany for the PWS-870.
Formed a strategic alliance with Inventec Corporation to establish the joint venture company “AIMobile Co., Ltd.”
Acquired 100% stock rights of B+B SmartWorx, Inc. from Graham Partners for US$9.985 million.
ATC (HK) purchased 100% stock rights of Yeh Chiang (Kunshan) Co., Ltd. from Yeh Chiang Technology (Cayman) Corp. for RMB$9.35 million.

2017 Increased the paid-in capital to NT$6,330,741,000.
25th Symbol of Taiwan Excellence Winner for the DMS-SA21, ARS-P3800, AIM-65, UNO-2271G, IPPC-5211WS, HIT-W101C, SOM-3568, ARK-2231R, ARK-2230R, ARK-1124H, ARK-1124U, ARK-1124C, ECU-4784, AIIS-1200, AIIS-5410P, MIC-7500, DS-980, EPC-T2285, MVP-3245, ADAM-3600, ADAM-3617, ADAM-3618, ADAM-3624, ADAM-3651, ADAM-3656, and EKI-7700; as well as Gold and Silver Medal Winner for WebAccess/Cloud and the WISE-DK1520 starter kit/development kit for RTX v2.0 CPU Module ROM-3420.
Advantech Linkou Industrial Park Stage II construction officially completed at the end of October.
Advantech announced that it will acquire a 60% stake in the South Korean medical display company Kostec.
Advantch invests 12 million private placement common shares of Winmate at a price of NT$45 per share (total, NT$540 million)
Advantech ranked No. 6 (with brand value USD484 million) in the Taiwan Top 20 Global Brands Award.

2018 Subsidiary company Advantech Corporate Investment, and the Institute for Information Industry, jointly invested in the establishment of an Industrial Internet of Things platform company called Yun Yan, Wu-Lian Co., Ltd., and each own half of the total equity.

Subsidiary company Advantech Corporate Investment and the Industrial Technology Research Institute jointly funded the establishment of the joint venture Huan Yan, Jhih-Lian Co., Ltd., with both parties investing 50% of the total capital.

Advantech subsidiary company ASG acquired ATH's equity interest and jointly increased its joint venture with ATH. Consequently, the capitalization of ACL and ASG is now held at 51% and 49% respectively.

Advantech opens its new European Service Center and it becomes the first Advantech Industry 4.0 real site demo in Europe.

26th Symbol of Taiwan Excellence Silver Medal Winner for the iPS-M100 Hot Swappable Medical-grade Industrial Power System and POC-WP243 24" Medical Computer

26th Symbol of Taiwan Excellence Winner for the CRV31-430WP 43" Industrial Curved Monitor, the TPC-5000 series Modular Industrial Touch Panel Computer and the SRP-ESP315 Solar Power Management Solution.

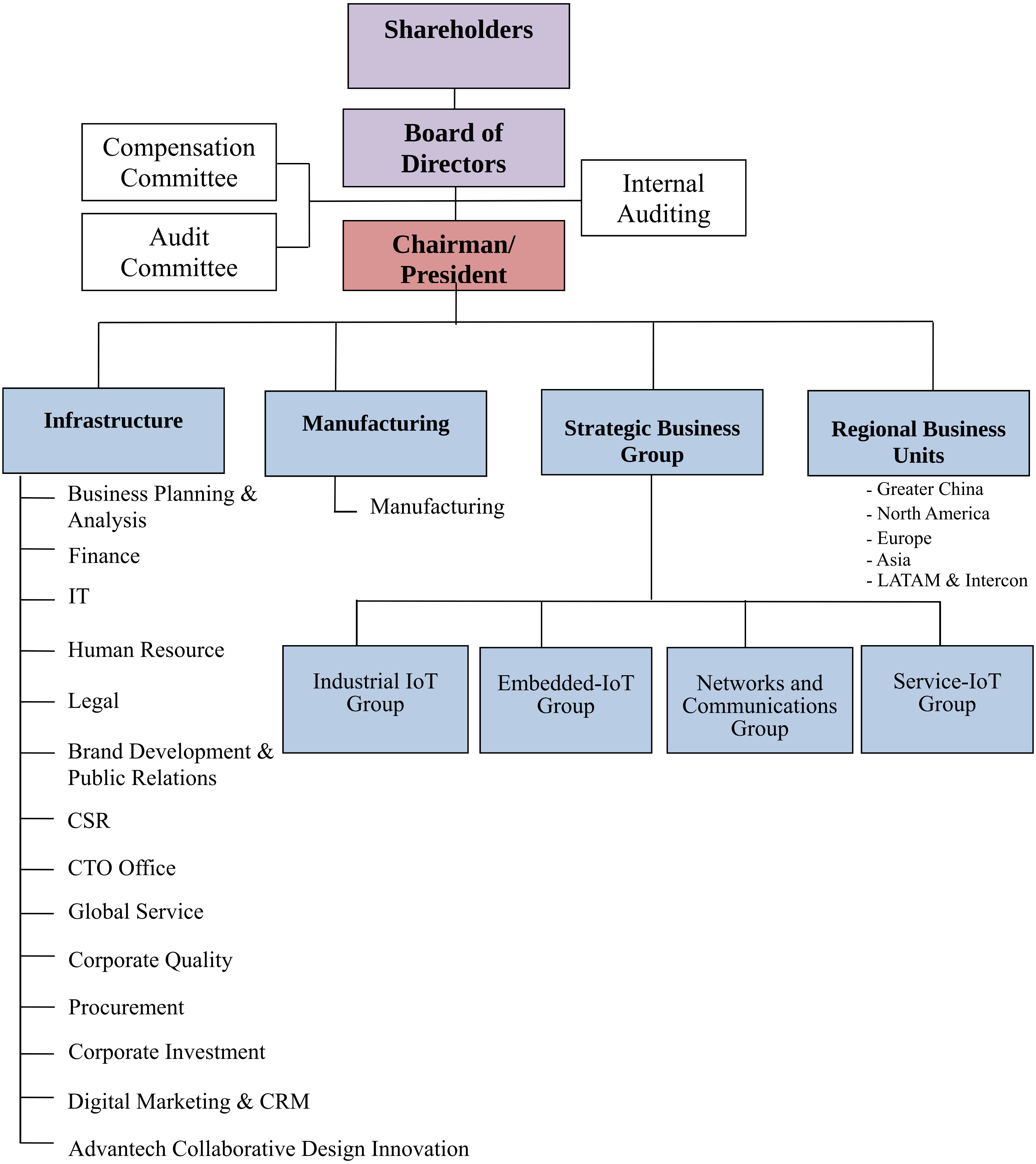
There are a total of 17,500,000 privately held ordinary shares of AzureWave Technologies, Inc. The subscription price per share is $17.1 TWD and the total subscription amount is $299,250,000 TWD.

In addition, a total of 9,681,000 shares were acquired on the centralized stock exchange, resulting in Advantech Investment holding 18% of the equity.

III. Corporate Government Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Function

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

Procurement	1. Negotiate and purchase required components and equipment. 2. Develop new vendors of components and equipment in response to rapid changing technology evolution. 3. Develop integrated purchasing strategies that support organizational strategies, goals and objectives.
Corporate Investment	Develop corporate investment roadmap based on corporate strategy, and define project management guidelines. Proactively and passively look for corporate investment and M&A opportunities with discipline and focus, properly execute investment strategy and evaluate the potential targets. The goal is to complete strategic business portfolio and to enhance growth momentum.
Digital Marketing & CRM	Expending digital marketing channels and methodologies toward the target sector market communication, and leverage the big data analysis plus CRM management including sales automation, productivity enhancement, real-time support, to achieve the automatic marketing intelligence.
ACDI (Advantech Collaborative Design Innovation)	1.Collaboration of corporate design functions to achieve consistent design, style, and image for brand name. 2.Integration and optimization of both internal and external design resources.
Manufacturing	Setting production goal & capacity planning; and manage production, quality, logistics and operation related executions.
Industrial IoT Group	Focus on General IIoT, Industrial Equipment Manufacturing (IEM), Intelligent Factory (iFactory), Energy and Environment (E&E), Transportation and Industrial Networking (iNetworking) sectors and applications to be responsible for the sales of industrial IoT products and solution ready platforms related to marketing, research & development, manufacture and implementation of solutions sales and integrated solutions to clients.
Embedded-IoT Group	As a global leader of the embedded computing market, Advantech Embedded-IoT Group not only offers a wide range of embedded boards, Intelligent systems, industrial peripherals and design-in services, but also provides streamline services form R&D, manufacturing, to global support and services. Furthermore, devoted regionally-based embedded service teams in Taiwan, China, USA, Germany, UK to offer medical, gaming, transportation, manufacturing, self-service solutions and dedicated DMS (Design and Manufacture Services) that enable domain sector deployment. To address the market for IoT applications, Embedded-IoT Group developed a series of integrated IoT solutions and services from edge computing to cloud services, including M2.COM wireless sensor node, IoT Gateways, Edge Intelligence Servers(EIS), WISE-PaaS software platform, and third party cloud services. Moreover, following the SRP concept, built an organization of E2I (Equipment to Intelligence) SBU to accelerate the IoT solution business development and implementation in regions.
Networks and Communications Group	Provide product development, production, and sales of video, network and communication related products to clients.
Service-IoT Group	Provide product development, production, marketing and sales of computers of vertical applications and software integration solutions to clients, in three vertical domains: iHealthcare, iRetail, and iLogistics.

3.2 Directors and Management Team

3.2.1 Directors

March 26, 2018

Title	Nationality	Name	Date elected	Term (Years)	First elected	Shareholding when elected		Current shareholding		Spouse and Minor shareholdings		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	K.C. Liu	05.26.2017	3years	11.11.1985	23,292,484	3.68	25,620,886	3.67	1,343,794	0.19	0	0	Founder of Advantech: Former salesman of Instruments Dept. of Hewlett-Packard; Department of Telecommunications Engineering, National Chiao Tung University	Note 1	None	None	None
Director	ROC	Advantech Foundation.	05.26.2017	3years	05.26.2017	18,244,889	2.88	20,288,715	2.91	0	0	0	0	President of Le Wel Co.,Ltd.	None 2	None	None	None
		Representative Chaney Ho				61,011	0	99,109	0.01	175,587	0.03	0	0	Tatung Institute of Technology,Taiwan				
Director	ROC	AIDC Investment Coorp. Representative Donald Chang	05.26.2017	3years	05.26.2017	74,636,266	11.79	82,097,182	11.77					President of Greater China of 3M Bachelor Chemical Engineering, Chinese Culture University	Note 3	None	None	None
Director	ROC	Ted Hsu	05.26.2017	3years	05.25.2011	0	0	0	0	0	0	0	0	Chief Strategy Officer of ASUSTeK EMBA，National Chiao Tung University	Note 4	None	None	None
Independent Director	ROC	Jeff Chen	05.26.2017	3years	06.18.2014	0	0	0	0	0	0	0	0	VP of Stanley Black & Decker and President of Asia Region EMBA,Northwestern University	None	None	None	None
Independent Director	ROC	Joseph Yu	05.26.2017	3years	05.25.2011	249	0	273	0	1,099	0	0	0	PhD of Business Administration, University of Michigan Professor, Department of Business Administration, National Chengchi University	Note 5	None	None	None
Independent Director	ROC	Benson Liu	05.26.2017	3yearss	05.26.2017	0	0	0	0	0	0	0	0	Chairman and President of Bristol-Myers Squibb (Taiwan) Ltd. Master, International Business Administration, University of Northrop, USA	Note 6	None	None	None

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

Advantech Foundation、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)、Advantech Investment Fund-A Co., Ltd. Representative、Advanixs Corporation.Representative.、Advantech Technology (China) Company Ltd. (AKMC)、Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)、Xi'an Advantech Software Ltd. (AXA)、Advantech Intelligent Service (AiST) Representative、K&M Imvestment Co.,Ltd.、AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative、Advanixs Kun Shan Corporation.、Aimobile Co., Ltd.、Advantech Japan Co., Ltd. (AJP)、B+B Smartworx Inc.

Simultaneously act as the director of the following companies:

AIDC Investment Corp.、Spring Foundation of NCTU、LNC Technology Co., Ltd. (LNC) Representative Advantech、Europe B.V.(AEU)、DLoG GmbH (DLoG)、ADVANTECH INTERNATIONAL PT. (AID)、Advantech Electronics,S. De R. L. De C. (AMX)、Advantech Technology Co., Ltd. (ATC)、HK Advantech Technology Co., Ltd. (ATC (HK))、Advantech Automation Corp.(BVI) (AAC(BVI))、 Advantech Automation Corp.(HK) Limited.(AAC (HK))、Advantech Co. Singapore Pte, Ltd. (ASG)、Advantech Corp.(ANA)、Advantech Europe Holding B.V.(AEUH)、Advantech Co., Malaysia Sdn.Bhd (AMY)、Advantech KR Co., Ltd. (AKR)、Advantech Corporation (Thailand) Co., Ltd (ATH)、and Advantech Industrial Computing India Private Limited (AIN)、Better Auto Holdings Limited、Famous Now Limited。

Simultaneously act as the supervisor of the following companies:

Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the chairman of the following companies: Advantech Innovative Design Co., Ltd.

Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd(ACN)、Shanghai Advantech Intelligent Services Co., Ltd(AiSC)、Advantech Technology (China) Company Ltd (AKMC)、Advantech Co., Malaysia Sdn.Bhd. (AMY)、Advantech KR Co., Ltd. (AKR)、Advantech Industrial Computing India Private Limited. (AIN)

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

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

Eeizprise Inc.

Simultaneously act as the director of the following companies:

ASUSTeK、Asmedia Technology Inc.、Eusol Biotech Co.,Ltd.

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

Yuanta Securities Co., Ltd. and Yuanta Bank Co., Ltd.

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

Global Unichip Corp.、Vanguard International Semiconductor Co.。

Simultaneously act as the director of the following companies:

Maywufa Company Ltd.Vice Chairman。

Major shareholders of the institutional shareholders

March 26, 2018 (stop transfer date)

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

Information regarding directors and supervisor

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

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.
1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

March 26, 2018

Title	Nationality	Name	Date elected	Shareholding		Spouse and Minor Shareholdinng		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Spouse or relatives within two degrees who are managers		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	ROC	K.C. Liu	06.01.2003	25,620,886	3.67	1,343,794	0.19	0	0	Founder of Advantech Co., Ltd. Salesman of Instruments Dept. of Hewlett-Packard Department of Telecommunications Engineering, National Chiao Tung University	Note1	None	None	None
Executive Board Director	ROC	Chaney Ho	05.01.2004	99,109	0.01	175,587	0.03	0	0	President of Li-Wei Company Tatung Institute of Technology	Note2	None	None	None
President	ROC	Eric Chen	09.01.2017	218,215	0.03	0	0	0	0	Elitegroup Computer Systems Co., Ltd. Tai Sen Enterprise Co., Ltd. Department of Computer Science, Tamkang University	None3	None	None	None
President	ROC	Miller Chang	09.01.2017	59,885	0	0	0	0	0	Phoenix Technologies Ltd. EMBA,National Taiwan University of Science and Technology	None	None	None	None
Vice President	ROC	Linda Tsai	09.01.2017	163,606	0.02	0	0	0	0	QUANTA COMPUTER INC. Syracuse University Master of Information Resources	None	None	None	None
Vice President	ROC	Deyu Yin	09.30.2004	0	0	345,199	0.05	0	0	Director of Human Resources, Delta Group Bachelor of Economics, National Taiwan University Tulane University EMBA	Note4	None	None	None
Accounting Officer	ROC	Rorie Kang	04.13.2011	3,409	0	0	0	0	0	Affiliates of Advantech Group Senior Accountant Department of Accounting, Chung Hsing University	None	None	None	None

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

Advantech Foundation、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)、Advantech Investment Fund-A Co., Ltd.

Representative、Advanixs Corporation.Representative.、Advantech Technology (China) Company Ltd. (AKMC)、Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)、Xi'an Advantech Software Ltd. (AXA)、Advantech Intelligent Service (AiST) Representative、K&M Imvestment Co.,Ltd.、AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative、Advanixs Kun Shan Corporation.、Aimobile Co., Ltd.、Advantech Japan Co., Ltd. (AJP)、B+B Smartworx Inc.

Simultaneously act as the director of the following companies:

AIDC Investment Corp.、Spring Foundation of NCTU、LNC Technology Co., Ltd. (LNC) Representative Advantech、Europe B.V.(AEU)、DLoG GmbH (DLoG)、ADVANTECH INTERNATIONAL PT. (AID)、Advantech Electronics,S. De R. L. De C. (AMX)、Advantech Technology Co., Ltd. (ATC)、HK Advantech Technology Co., Ltd. (ATC (HK))、Advantech Automation Corp.(BVI) (AAC(BVI))、Advantech Automation Corp.(HK) Limited.(AAC (HK))、Advantech Co. Singapore Pte, Ltd. (ASG)、Advantech Corp.(ANA)、Advantech Europe Holding B.V.(AEUH)、Advantech Co., Malaysia Sdn.Bhd (AMY)、Advantech KR Co., Ltd. (AKR)、Advantech Corporation (Thailand) Co., Ltd (ATH)、and Advantech Industrial Computing India Private Limited (AIN)、Better Auto Holdings Limited、Famous Now Limited。

Simultaneously act as the supervisor of the following companies:

Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the chairman of the following companies: Advantech Innovative Design Co., Ltd.

Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd(ACN)、Shanghai Advantech Intelligent Services Co., Ltd(AiSC)、Advantech Technology (China) Company Ltd (AKMC)、Advantech Co., Malaysia Sdn.Bhd. (AMY)、Advantech KR Co., Ltd. (AKR)、Advantech Industrial Computing India Private Limited. (AIN)

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

Advantech Investment Fund-A Co., Ltd. 、Advanixs Corporation.、Advantech Innovative Design Co., Ltd. 、Advantech Intelligent Service AdvanPOS Technology Co., Ltd.

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

Advantech Innovative Design Co., Ltd.

3.2.3 Remuneration of Directors, Presidents, and Vice Presidents

Remuneration of Directors

Unit: NT$ Thousand

Title	Name	Rremuneration								Ratio of Total Remuneration(A+B+C+D) to net income % (Note 10)		Relevant Remuneration Received by Directors who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G)to net income % (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's subsidiary (Note11)
		Basc Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)(Note 4)				Salary, bonuses and allowance (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
																Advantech		From All Consolidated Entities (Note 7)				
		Advantech	From All Consolidated Entities (Note 7*)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Cash	Stock	Cash	Stock	Advantech	From All Consolidated Entities (Note 7)	
Chairman	K.C.Liu	0	0	0	0	9,010	9,010	0	0	0.15%	0.15%	5,100	5,100	0	0	1,344	0	1,344	0	0.25%	0.25%	0
Director	Advantech Foundation Representati Chaney Ho																					
Director	AIDC Investment Corp. Representati Donald Chang																					
Director	Ted Hsu																					
Independen Director	Jeff Chen																					
Independen Director	Joseph Yu																					
Independen Director	Benson Liu																					

Range of Remuneration

Range of Remuneration	Names of Directors			
	First four categories of remuneration (A+B+C+D)		First seven categories of remuneration (A+B+C+D+E+F+G)	
	Advantech (Note 9)	Consolidated subsidiaries (Note 10)	Advantech (Note 9)	Consolidated subsidiaries (Note 10)
Under NT$2,000,000	K.C. Liu、Advantech Foundation, Ted Hsu, AIDC Investment Corp.,Jeff Chen, Joseph Yu , Benson Liu.	K.C. Liu 、Advantech Foundation, Ted Hsu, AIDC Investment Corp.,Jeff Chen, Joseph Yu ,Benson Liu.	Advantech Foundation,Ted Hsu,Jeff Chen, AIDC Investment Corp.,Joseph Yu, Benson Liu.	Advantech Foundation, Ted Hsu, Jeff Chen, AIDC Investment Corp., Joseph Yu, Benson Liu.
NT$2,000,001 – NT$5,000,000	-	-	-	-
NT$5,000,001 – NT$10,000,000	-	-	K.C. Liu	K.C. Liu
NT$10,000,001 – NT$15,000,000	-	-	-	-
NT$15,000,001 – NT$30,000,000	-	-	-	-
NT$30,000,001 – NT$50,000,000	-	-	-	-
NT$50,000,001 – NT$100,000,000	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	7	7	7	7

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration of supervisor

Unit: NT$ Thousand

Title	Name	Rremuneration						Ratio of Total Compensation (A+B+C+D+E+F+G)to net income %		Compensation Paid to Directors from an Invested Company Other than the Company's subsidiary
		Base Compensation (A) (Note 2)		Bonus to Supervisors (B) (Note 3)		Allowances (C)(Note 4)				
		Advantech	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	
Supervisor	AIDC Investment Corp. Representative: Gary Tseng	0	0	1,590	1,590	0	0	0.02%	0.02%	0
Supervisor	Thomas Chen									
Supervisor	James Wu									

Range of remuneration

Range of Remuneration	Name of supervisors	
	First three categories of remuneration (A+B+C)	
	Advantech (Note 6)	Consolidated subsidiaries (Note 7) D
Under NT$2,000,000	AIDC Investment Corp, Thomas Chen, James Wu	AIDC Investment Corp, Thomas Chen , James Wu
NT$2,000,001 – NT$5,000,000	-	-
NT$5,000,001 – NT$10,000,000	-	-
NT$10,000,001 – NT$15,000,000	-	-
NT$15,000,001 – NT$30,000,000	-	-
NT$30,000,001 – NT$50,000,000	-	-
NT$50,000,001 – NT$100,000,000		-
Over NT$100,000,000	-	-
Total	3	3

Note 1: Illustrate the name of each supervisor (the institutional shareholder and its representative should be illustrated separately) and disclose the payment amount in a lump sum.
Note 2: Refers to the remuneration (including supervisor salary, duty allowances, severance pay, various bonuses, incentives, etc.) paid to the supervisors in the most recent year.
Note 3: Refers to the remuneration to supervisors from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting.
Note 4: Refers to the relevant business expenses of the supervisors in the most recent year (including traveling expenses, special expenses, allowances, dormitories, and transportation vehicles). For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.
Note 5: The remuneration amount paid to the supervisors of Advantech by the companies (including Advantech) in the consolidated report should be disclosed.
Note 6: Disclose the name of the supervisors in the respective range of remuneration paid by the Company.
Note 7: Disclose the name of the supervisors in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.
Note 8: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.
Note 9: a.The remuneration amount received by the supervisors from the invested companies other than the subsidiaries should be disclosed in this column.
b.The remuneration amount, if any, received by the supervisors from the invested companies other than the subsidiaries should be disclosed in column D of the Range of Remuneration; also, the columnshould be renamed as "All transfer-investment businesses."
c. Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the supervisors of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.
∗The remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Remuneration paid to the presidents and vice presidents

Unit: NT$ Thousand / Thousand units

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowance etc. (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (Note 8)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's subsidiary (Note10)
		Advantec	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech		From All Consolidated Entities (Note5)		Advantech	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	K.C. Liu	20,789	20,789	0	0	39,758	39,758	7,728	0	7,728	0	1.11%	1.11%	0
Executive Board Director	Chaney Ho													
President	Eric Chen													
President	Miller Chang													
President	Linda Tsai													
Vice President	Deyu Yin													

Range of Remuneration

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

Note 1: Illustrate the name of the President and Vice President and disclose the payment amount itemized. Please fill out this form and form (1-1) or (1-2) for the director who is also the President or Vice President of the Company.
Note 2: Refers to the salary, duty allowances, and severance paid to the President and Vice President in the most recent year.
Note 3: Refers to the reward, incentives, traveling expenses, special expenses, allowances, dormitories, transportation vehicles, and other compensations paid to the President and Vice President in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but theamount will not be included in the total remuneration amount.
Note 4: Refers to the employee bonus (including stock dividend and cash dividend) to the President and Vice President from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally with Table 1-3 filled out.
Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in theproprietary or individual financial report of the most recent year.
Note 5: Refers to the number of shares (excluding the portion executed) to be subscribed by the President and Vice President with stock options in the most recent year and up to the publication of the annual report. In addition to this form, please fill out Table 15.
Note 6: Disclose the itemized amount paid to the President and Vice President by all the companies (including the Company) in the consolidated financial statements.
Note 7: Disclose the name of the President and Vice President in the respective range of remuneration paid by the Company.
Note 8: Disclose the name of the President and Vice President in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.
Note 9: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.
Note 10: a.The remuneration amount received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in this column.
b.The remuneration amount, if any, received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in column E of the Range of Remuneration and the column should be renamed as "All transfer-investment businesses."
c. Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the President and Vice President of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.
＊he remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Employee Compensation amount paid to managers

March 26, 2018

<table>
<tr><th></th><th>Title (Note 1)</th><th>Name (Note 1)</th><th>Stock bonus amount (proposed)</th><th>Cash bonus amount (proposed)</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="7">Manager</td><td>Chairman</td><td>K.C. Liu</td><td rowspan="7">0</td><td rowspan="7">7,808</td><td rowspan="7">7,808</td><td rowspan="7">0.13%</td></tr>
<tr><td>Executive Board Director</td><td>Chaney Ho</td></tr>
<tr><td>Presiden</td><td>Eric Chen</td></tr>
<tr><td>President</td><td>Miller Chang</td></tr>
<tr><td>President</td><td>Linda Tsai</td></tr>
<tr><td>Vice President</td><td>Deyu Yin</td></tr>
<tr><td>Accounting Officer</td><td>Rorie Kang</td></tr>
</table>

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

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

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

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

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

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

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

Job Title	Ratio of 2017 total remuneration to net income (%)		Ratio of 2016 total remuneration to net income (%)	
	Advantech	All consolidated subsidiaries	Advantech	All consolidated subsidiaries
Directors, supervisor, President, and Vice President	1.39%	1.39%	0.78%	0.78%

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

According to the provision of Article 20 of the Company's Articles of Incorporation, remuneration of directors shall not exceed 1% of the Company's profit in the year; in addition, remuneration of directors shall be distributed reasonably in consideration of the Company's operating results and directors' contribution to the Company's operating results.

Remuneration of the President shall be distributed according to the Company's Regulations Governing Remuneration of Managerial Officers, the average salary of the same position in the industry, and the President's contribution to the Company's operational objectives within the scope of the President's responsibility. Remuneration shall be set according to the Company's Regulations Governing Performance Evaluation of the Board of Directors and the Regulations Governing Remuneration of Directors. Reasonable remuneration shall be distributed in consideration of the Company's operating results, risks and development trends in the industry, and personal performance and its contribution to the Company's operating results. Evaluation of performance and reasonableness of remuneration shall be reviewed by the Remuneration Committee and the Board of Directors, and may be adjusted in a timely manner according to the operations and related laws and regulations, so as to achieve the Company's sustainable development and risk management.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 9 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Aattendance Rate (%) (B/A)	Remarks
Chairman	K.C. Liu	8	1	88%	Reelected
Director	Advantech Foundation: Representative: Donald Chang	3	0	100% (Already attended three times)	Complete dismission of reelection on 2017 05.26
Director	Advantech Foundation: Representative: Chaney Ho	6	0	80% (Already attended six times)	Complete reelection of new appointments on 2017 05.26
Director	AIDC Investment Corp. Representative:Donald Chang	6	0	100% (Already attended six times)	Complete reelection of new appointments on 2017 05.26
Director	Ted Hsu	8	1	100%	Reelected
Independent Director	Joseph Yu	9	0	100%	Reelected
Independent Director	Jeff Chen	9	0	100%	Reelected
Independent Director	Benson Liu	6	0	100%	Complete reelection of new appointments on 2017 05.26
Supervisor	AIDC Investment Corp. Representative:Gary Tseng	3	0	100% (Already attended three times)	Complete dismission of reelection on 2017 05.26
Supervisor	Thomas Chen	3	0	100% (Already attended three times)	Complete dismission of reelection on 2017 05.26
Supervisor	James Wu	3	0	100% (Already attended three times)	Complete dismission of reelection on 2017 05.26

Other mentionable items:

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

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

BOD	Subjects	Securities and Exchange Act,rticle 14-3	Opinions of independent directors	Company's treatment of the pinions	Resolution results
1060306	The Company's 2015 and 2016 CPA fees.	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Acquisition or Disposal of Assets".	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Lending Funds to Other Parties".	v	None	None	The matter is approved by all the attendees.

	Amendment to the "Procedures For Endorsement & Guarantee".	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Financial Derivatives Transactions".	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Internal Control System General".	v	None	None	The matter is approved by all the attendees.
	Approved the proposal of Company dispose of real estate property to the related persons.	v	None	None	The matter is approved by all the attendees.
	Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.				
The first time of the 13th edition May 26,2017	The Company dispose of real estate property to the related persons.	v	None	None	The matter is approved by all the attendees.
The sixth time of the 13th edition Oct 31,2017	The proposal of Company acquiring common stocks of Winmate Inc. via private placement of securities.	v	None	None	The matter is approved by all the attendees.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. The executive financial officers and chief auditors will also attend a directors' meeting and produce relevant reports to directors for reference.Meanwhile,in order to upgrade the board members'compentency,the Company will invite external trainers to give lessons and arrange advanced studies for the members.

2017 attendance records

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

2017	first time	second time	third time	fourth time	fifth time	sixth time	seventh time	eighth time	ninth time
Joseph Yu	◎	◎	◎	◎	◎	◎	◎	◎	◎
Jeff Chen	◎	◎	◎	◎	◎	◎	◎	◎	◎
Benson Liu				◎	◎	◎	◎	◎	◎

3.3.2 Audit Committee :

A total of 3 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Independent director	Benson Liu	3	0	100	All the independent directors of the Company established the Audit Committee on May 26,2017inorder to substitute for the supervisor's function.
Independen director	Jeff Chen	3	0	100	All the independent directors of the Company established the Audit Committee on May 26,2017inorder to substitute for the supervisor's function.
Independent director	Joseph Yu	3	0	100	All the independent directors of the Company established the Audit Committee on May 26,2017inorder to substitute for the supervisor's function.

Other mentionable items:

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

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

Audit Committee	Subjects	Securities and Exchange Act,rticle 14-5	Opinions of independ ent directors	Company's treatment of the pinions	Resolution results
The second time of the 13th edition July 27,2017	Approved the Company's 2017Q2 consolidated financial statements.	v	None	None	The matter is approved by all the attendees.
	Approved the Company's "Audit Committee Charer".	v	None	None	The matter is approved by all the attendees.
The third time of the 13th edition Oct 31,2017	Approved the Company's 2017Q3 consolidated financial statements.	v	None	None	The matter is approved by all the attendees.
	The proposal of Company acquiring common stocks of Winmate Inc. via private placement of securities.	v	None	None	The matter is approved by all the attendees.

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

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

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) The chief audit executive of the Company communicates with the Audit Committee about the results of audits on a regular basis and reports internal audits in quarterly meetings of the Audit Committee; in case of special circumstances, the chief audit executive reports to the Audit Committee immediately.

In 2017, there was no special circumstance mentioned above. The chief audit executive communicated well with the Audit Committee.

(2) The Company's CPA reports the audits or findings of quarterly financial statements and other statutory matters to be communicated in quarterly meetings of the Audit Committee; in case of special circumstances, the CPA reports to the Audit Committee immediately. In 2017, there was no special circumstance mentioned above. The CPA communicated well with the Audit Committee.

(3) Independent director discussion Items with Internal Chief Auditor、CPA reply as follow:

Date (Session)	Discussion Items with Internal Chief Auditor	Discussion Items with CPA
The second time of the 13th edition July 27,2017	• Review the internal audit report (in a closed-door meeting) • Review the amendments to the Articles of Association of the Audit Committee	• Discuss the review of the Q217 financial statements, including problems or challenges and the management's responses (in a closed-door meeting) • Review CPA's qualifications, performance, and independence • Report the changes in laws and regulations
The third time of the 13th edition Oct 31,2017	• Review the internal audit report (in a closed-door meeting) • Review the 2018 audit plan.	• Discuss the review of the Q317 financial statements, including problems or challenges and the management's responses (in a closed-door meeting) • Review the key audit items in 2017 • Report the changes in laws and regulations
Result: The above matters have been reviewed or approved by the Audit Committee without any objection raised by independent directors.		

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

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

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
			behaviors that could be involved in the insider trading, so that can protect the rights and interests of the investors and the ADVANTECH.The related information above is disclosed on our website.	
3.Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members? (2) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? (3) Does the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year? (4) Does the Company have the independence of the public accountant evaluated regularly?	V V V V		(1)The Company has the board directors diversification policy defined in the "Corporate Governance Best-Practice Principles." The Company's board members must be equipped with the finance and economics,accounting,regulatory and leadership, decision-making, and operational management abilities for performing job duties that is beneficial to the development and operations of the Company.(Note1) (2)The Company has not yet established other functional committee. (3)The Company has established the Regulations Governing the Board Performance Evaluation. The Company shall conduct the evaluation of board performance before the end of every year. The scope of evaluation may cover the evaluation of the Board as a whole, individual directors and functional committees. An evaluation report shall be submitted to the Board for discussion and improvement. The evaluation report in 2017 has been submitted to the Board in March 2018 to discuss the operation of the Board as a whole, individual directors and functional committees and to propose recommendations for improvement. Board members received more than 90% of satisfaction,	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			and the evaluation of board performance was graded excellent. In the future, the Company will continue to improve the operation of the Board and its participation in the Company’s operation. From October to December 2017, the Company employed Taiwan Corporate Governance Association to conduct the evaluation of Board performance in 2017. The evaluation contained 38 questions in eight aspects, namely composition, guidance, authorization, supervision, communication, self-regulation, internal control, and risk management of the Board and was conducted by survey and field review. The result of the evaluation was reported to the Board in March 2018 to further improve the functions of the Board. (4) The Board of Directors of the Company evaluates the independence, competence and professionalism of the CPA every year on a regular basis, and requests the CPA to provide the statement of independence every year. The Board of Directors reviews the independence and appointment of the CPA based on his/her profile (including detailed work experience and current clients), non-audit services, and the statement of independence (in compliance with the Norm of Professional Ethics for CPA No.10). Note2	

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
4.Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders’ meetings)?	V		It has been reported to the Board that the Company will set up a full-time corporate governance unit as the corporate governance team under the Corporate Social Responsibility Steering Committee, and that a person will be selected from the corporate governance team to be in charge of corporate governance affairs, including matters related to the Board and shareholders’ meeting, corporate registration and amendment registration, and information disclosure.	None
5.Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		(1)The Company has a spokesperson, stock affairs supervisor, and associated person assigned to establish a comprehensive communication channel, and regularly or irregularly held briefings to offer a face-to-face and comprehensive communication interface targeting on various issues and inquiries. (2)The Company sets up the Advantech CSR website in English and the stakeholder section on the Company’s website. The Company also responds to the stakeholder’s concern over CSR issues through stakeholder questionnaire, notice of collection, website, and CSR reports.	None
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?			The Company commissioned a professional stock affairs service agent - KGI Securities Co., Ltd. Shareholder Service Department to handle the Company’s stock service matters, and with the “Guidelines for Handling of Stock Affairs” stipulated to regulate the relevant operations.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
7.Information disclosure (1)Does the Company have a website setup and the financial business and corporate governance information disclosed? (2)Does the Company have adopted other information disclosure methods (such as, establishing an English website, designating responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V V		(1)The company profile and business information is disclosed in the Company's website with the shareholder's section setup to disclose financial information and corporate governance; also, to establish a communication channel for communicating to investors. (2)The Company has information fully disclosed through the English website, assigning the Investor Relations Commissioner for information collection and disclosure, a clear spokesperson system, and the investor conference on the Company's website.	None
8.Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		(1).The interests of employees and employee care: Offer staff salaries higher than the minimum wage defined in the Labor Standards Act, better employee benefits than the industry standard, insurance coverage and pension benefits according to the law; also, group insurance and overseas business traveling insurance in order to protect the work and life safety of colleagues. Regulate labor safety and health code, exercise Job Equality Act, provide safe, healthy, and harassment-free working environment and culture, and achieve ISO-14001 (Environmental Management International Standard) and OHSAS-18001 (Occupational Health and Safety Management System) certification. Initiate two performance evaluations of the colleagues during the middle of the year and at the end of the year in order to achieve the overall business plan and as	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
			a reference for staff promotion, employee training and development, and payment of salaries. Ensure all employees are protected by the Collective Bargaining Agreement through labor meetings, department meetings, seminars, Suggestion Box, and other communication channels. (2)Supplier relation: On the supplier management, the ADVANTECH had introduced the "Electronic Industry Code of Conduct (EICC)" since 2010, and strictly brought the principle of the environmental protection into the mechanism of supplier management to establish the Green Supply Chain Management System. The suppliers are managed via the Supplier Management System (SMS), and the behavior review/verification for the important suppliers, including supplier add/change as well as the procedures to evaluate the suppliers are specified in the Management Document (M-001_ purchase procedure). The "Purchase Behavior Criteria"worked out in the ADVANTECH specifies the purchase behavior. Meanwhile, the suppliers must sign the Commitment to Honesty to follow the honesty. The ADVANTECH will annually convene the supplier meetings, and directly communicate with the supplier management for the development direction and the strategy cooperation. (3)Investor Relations: Information is fully disclosed through the MOPS and the Company's Website to	

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
			help investors understand the Company's operating conditions and to communicate with investors through the shareholders' meeting and the spokesman. (4)Continuing education of directors and supervisors: The Company actively encourages directors to participate in continuing education as scheduled below. (5)Customer Policy: The Company keeps in contact with customers regularly and communicates the needs of the customers through online/telephone, customer service, and Account Manager System; also, a Suggestion Box is setup to respond to customer complaint promptly. (6)The acquisition of liability insurance for directors : The Company has acquired liability insurance for directors and supervisors .	
9.Does the Company have a corporate governance self-assessment report prepared or a corporate governance assessment report issued by the commissioned professional institutions? (If yes, please state the opinion of the board of directors, the self-assessment or outsourcing evaluation results, the main nonconformity or suggestion, and implementation of improvement)	V		ACL elected the independent directors,set up the audit committee,and particularly disclosed the information on ourwebsite to meet the corporate governance requirements.The Company will make improvement progressively according to the plan to be made for the matters that have not been improved.	None

None1

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

None2 Assessment criteria of accountant's Independence

My family and I do not have any material financial interest, directly or indirectly, with the audit client.	2017 Assessment Result (Y/N)	Independence (Y/N)
If the audit client is a financial institution, a loan or guarantee provided by the financial institution for my family and me is a normal commercial activity.	Y	Y
My family and I do not have a commercial relation with the audit client or its directors, supervisors, or managerial officers that will affect the independence.	Y	Y
I have not served as a director, supervisor or managerial officer of the audit client or taken up a post that has a significant impact on the audit engagement currently or in the past two years, nor have I undertaken to take up the aforesaid post.	Y	Y
During the audit, my family do not serve as directors, supervisors or managerial officers of the audit client or take up a post that has a direct and significant impact on the audit engagement.	Y	Y
During the audit, I have no lineal or immediate affinity or second degree of kinship with a director, supervisor or managerial officer of the audit client.	Y	Y
I do not receive presents or gifts of great value from the audit client or its directors, supervisors, managerial officers or major shareholders.	Y	Y
The audit team has performed the necessary audit of independence/conflict of interest and finds no violation of independence or unsolved conflict or interest.	Y	Y

■ The acquisition of liability insurance for directors and supervisors:

Insured object	Insurance company	Amount of insurance coverage (NT$)	Insurance period
All directors and supervisors	Cathay Century Insurance Co., Ltd.	148,800,000	04/01/2017 - 04/01/2018

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

A. Remuneration Committee members:

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

Note 1: Please indicate the identity as directors, independent directors, or others.

Note 2: A “✓“ is marked in the space beneath the respective column when a director or supervisor has met that condition during the two-year prior to election and during his or her period of service; the conditions are as follows:

(1) Not employed by the Company or an affiliated business.
(2) Not a director or supervisor of the Company or its affiliated company. This restriction does not apply to independent directors of subsidiaries in which the company or its parent company directly or indirectly holds over 50% of the shareholder voting rights.
(3) company shares or being a top-10 natural person shareholder in one’s own name, held by a spouse or underage child, or held by nominee agreement.
(4) Neither a spouse, second-degree relative, nor a fifth degree direct relative of the persons listed under the previous three items.
(5) Neither a director, supervisor or employee of an institutional shareholder directly owning more than 5% of the company’s outstanding shares, nor one of the company’s top-five institutional shareholder.
(6) Neither a director, supervisor, manager or shareholder holding more than a 5% stake in certain companies or institutions that have a financial or business relationship with the Company.
(7) Not a professional who provides commercial, legal, financial, and accounting services or consulting to the Company or its affiliated companies, proprietor, partner, owner of a company or an institution, partner, director (executive), supervisor (executive), manager, and their spouses.

（8）Standing does not match any of the scenarios described in Article 30 of the Company Law.

Note 3: Please indicate whether the member who is a director complies with the requirement of Article 6 Paragraph 5 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.”

B. The operation of Remuneration Committee

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

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

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

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Joseph Yu	3	0	100%	
Independent director	Benson Liu	2	0	100%	
Independent director	Jeff Chenn	1	0	100%	
Committee Member	Caroline Wang	3	0	100%	

Other required information:

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

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
1.Substantiation of corporate governance (1)Does the Company have the CSR policies or systems established and the implementation effect reviewed? (2)Does the Company have the CSR education and training arranged on a regular basis? (3)Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors? (4)Does the Company have a reasonable salary and remuneration policy setup, have the employee performance evaluation system combined with corporate social responsibility policies, and have a clear and effective reward and punishment system established?	V V V V		(1)The ADVANTECH established the practice rules for Corporate Sociality Responsibility (CSR), which is issued by the Board of the Directors; the CSR unit will collect the projects and progress related to the CSR and report to the Board Chairman, who personally gave the directions and strategic suggestions as well annually report the contents to the Board of the Directors for the annual strategy and review. The CSR unit in the ADVANTECH is subordinate to the Corporate Sociality Responsibility Directing Committee (led by the Board Chairman), which periodically convenes meetings to confirm and review the promotion and strategy of the CSR as well as approves the annual sustainability report. The Directing Committee set up one office and six subcommittees, which are "Promotion Office", "Corporate Governance Committee", "Labor-capital Relation Committee", "Environmental Protection Committee", "External Communication Committee", "Sociality Care Committee", and "Industry-academic Cooperation Committee" to direct the economy, environment and sociality of the CSR. The detailed parts to fulfill the CSR strategy are recorded in the CSR Report. (2).The Company has the CSR education and	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			training arranged in the orientation that is held once in every two-month. II. Not only provide a copy of the learning manual for new employees on the first day when they are on board, but also explain item by item, which the contents comprise anti-bribery, human right, environment and labor codes, as well as upload on the website for the enquiry at any time; they will be emphasized and explained again in the employee training, as well as required to strictly execute and obey; there is a unit of "morality and ethics" for the managers to ensure they can set an example by personally taking part. III.In order to guide the employee behavior in compliance with the mortality, we make the interested parties understand and follow our mortalities, including: the prohibition against the improper gift, bribery or benefit from other people, insider trading, no difference treatment owing to the gender, race, religion, party, aptitude, job position, nationality and age, or discrimination in any form as well as the adhesion to employee labor and environmental regulations. "Employee Behavior Criteria" are uploaded on the website for the enquiry and reading. IV. The purchase units and the employees and managers in charge of purchase are required to deal with the worldwide purchase activities based on the highest ethics. The purpose is to prevent the	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			improper behavior or bribery; the suppliers are required to sign "Commitment to Honesty", and the mailbox is established for complain to eliminate our employees from bribery. (3)The Company has a "Corporate Culture and Social Responsibility" Department setup; also, there are specific individuals responsible for planning and promoting industry-academia collaboration, Able Club, social welfare, arts and cultures sponsorship, corporate social responsibility websites, and other CSR-related projects. The work progress and project achievement is reported to the Chairman and the Board of Directors periodically. Please refer to the illustration below regarding the CSR-related tasks: CSR Website：http://www.advantech.tw/csr/ Corporate Social Responsibility Report (CSR Report): http://advcloudfiles.advantech.com/csr/Report/2016-CSR-Report.pdf Advantech Co., Ltd. Able Club website: http://ableclub.advantech.com.tw In addition, in order to substantiate the spirit of corporate social responsibility, except for the specifically designated departments, in response to the different professions and focuses for each CSR project, a trans-departmental work team is setup to be responsible for planning and execution. Such as, for Corporate Social Responsibility Report,	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			the Corporate Culture Department, Brand Development Department, and Public Relation Department shall cooperate to organize a trans-departmental Promotion Office jointly with all the accountable departments, including "Corporate Governance Committee," "Labor Relation Committee," "Environmental Protection Energy-Saving Committee," "Communication Committee," "Social Care Committee," "Industry-Academia Collaboration Committee," etc. to promote and realize corporate social responsibility. (4)The Company has a reasonable remuneration policy setup; also, required employees to comply with Advantech Code of Conduct and Practiced the "Integrity and Probity" of corporate value. The employees are evaluated with the Compassion Award issued for their participating in the charity activities, or the offenders of the Code of Conduct will be disciplined accordingly.	
2.Development of sustainable environment (1)Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environment? (2)Does the Company have an appropriate environmental management system established in accordance with its industrial character? (3)Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an	V V V		(1)The Company is committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environment (2)Th Company has established ESH Management Committee and ISO14001 environmental management system, which includes the following items: a.Collect, assess, and identify the impact of the Company's activities, products, and services	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?			on the natural environment. b.Establish measurable goals of environmental sustainability and regularly review the continuity and relevance of its development. c.Set specific action plans and regularly review the effectiveness of the operation. (3)The Company adopts the guidelines of ISO14064 commonly used domestically and internationally and CDP Carbon Disclosure Plan to implement greenhouse gas inspection and disclosure within the scope of: a.Direct greenhouse gas emissions b.Indirect greenhouse gas emissions The Company does pay attention to the impact of climate change on the operational activities, form and activate an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy according to the business operation and greenhouse gas check results in order to reduce the impact of the Company's business activity on the climate change.	
3.Maintenance of social welfare (1)Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights? (2)Does the Company have the complaint mechanism and channel established for employees and have it handled properly? (3)Does the Company provide employee with a safe and healthy working environment, and provide	V V V		(1)In compliance with the relevant laws and labor regulations and in accordance with International Labor Convention and International Bill of Human Rights, Advantech Co. Ltd. formulated Business Conduct and the Employee Handbook and had them published on the Employee Portal for the convenience of our employees and managers. Advantech respects for employees' equal appointment and career development	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
safety and health education to employees regularly? (4)Does the Company have established a mechanism of periodical communication with employees and have the employee notified in a reasonable manner regarding the potential impact of the operation changes. (5)Does the Company have an effective career capacity development training program established for the employees? (6)Does the Company have the relevant consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations, and service processes? (7)Does the Company have products and services marketed and labeled in accordance with the relevant regulations and international norms? (8)Does the Company have the suppliers checked in advance for any records of impacting the environment and society? (9)Does the contract signed by the Company with the major suppliers entitle the Company to have the contract cancelled or terminated at any time when the suppliers violate the CSR policies that have a significant impact on the environment and society?	V V V V V V		opportunities and will have no disparate treatment discrimination, or any form of discrimination in terms of personal gender, race, religion, political party, sexual orientation, rank, age, nationality and other issues. We are committed to providing employees with a safe and high-quality work environment, and with respect to our policies, Advantech faithfully abides by all kinds employment and labor laws; employment of child labor or illegal workers is prohibited; sexual harassment is prohibited; and the company is committed to providing employees with a safe and healthy work environment complying with various environmental laws and regulations and avoiding environmental pollution through proper management and technical applications. (2)Advantech created Suggestion Box on the Employee Portal encouraging employees to make comments in a positive way, including workflow improvement, environmental improvement, product advice or cross-departmental operations, so as to build a culture of participation in the operation of the company and to encourage employees to make suggestions at any time. After receiving the proposal from the employee, Human Resources Department will forward it to the head of the relevant department, which will assess the proposal content and the need for improvement. After the content is carefully assessed and concluded, the colleague making the proposal	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			will simultaneously receive the related information on the case concluded. (3)The Company offers employees safe and healthy working environment and passes the occupational safety and health management system certification; provides employees with annual health checks that is better than the requirement of the Labor Standards Act; also, has the safety and health education arranged in the orientation that is held once in every two-month. (4)Advantech releases and announces the results of operations and the future development policy, and the major operational changes by means of regular plenary meetings, meetings of heads, departmental meetings, and group meetings, complemented by the company's periodicals, the internal employee website, and the video platform of "Advantech Executive Talks" to instantly share the company's business philosophy, the latest business information and the changes. (5)The Company, through "Advantech School," has diversified curriculum planned, established effective career capacity development and training program for employees; also, reflected the Company's operating performance and results appropriately in the employee remuneration policies to ensure the recruitment, retention, and encouragement of human resources in order to reach the goal of sustainable business operation.	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			(6)The Company has the consumer protection policies and complaint procedures established; also, has had the procedure document of quality feedback system, customer service and satisfaction management, ATSC RMA operating instructions available to ensure proper handling. (7)The Company has products and services marketed and labeled in accordance with the relevant regulations and international norms. The products are indeed 100% in compliance with the green product regulations of the international Environmental Protection Act throughout the Life Cycle Assessment (LCA) from the effective use of natural resources, the prohibition of hazardous substances, to proper waste management. Advantech based on safety, energy conservation, and environmental protection to promote green products and to have the product information and international standards published on the Company's website (http://www.advantech.tw/csr/social_contribution/care_for_environment_over view) for the understanding of the customers and consumers. (8)All the Company's suppliers / contractors are required to sign the corporate social responsibility (CSR) agreement before signing the contract. Try to avoid dealing with the suppliers who are in violation of the Company's corporate social responsibility policies. The CSR agreement requires the suppliers / contractors to comply with SA8000 social accountability standard, EICC electronics	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			industry behavior guidelines, ISO 14001 environmental management standard, OHSAS 18001 occupational safety and health management standards, and the requirements of labor rights, health and safety, environmental protection, and business ethics imposed by the local authorities. (9)The CSR agreement signed by the Company with the suppliers includes the Company's entitlement to have the agreement cancelled or terminated at any time when the suppliers violate the CSR policies that have a significant impact on the environment and society. Signing the SCR agreement by all the suppliers / contractors is the precondition of dealing with the Company.	
4.Strengthening information disclosure (1)Does the Company have the relevant and reliable CSR information disclosed on the Company's website and MOPS?	V		The Company has the CSR website setup and has the relevant and reliable CSR information disclosed on the Company's website and MOPS. The Company has corporate social responsibility information disclosed as follows: a.The CSR policies, systems, or specific promotion plan resolved in the Board meeting. b.The risk and impact of substantiating corporate governance, development of sustainable environment, and maintenance of social welfare on the Company's operations and financial condition c.The goal, measures, and performance of the CSR drafted up by the Company d.The main stakeholders and the issues of concern	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Explanation	
			e.The management and performance of environmental and social issues disclosed by the major suppliers f.Other CSR-related information	

5.If the Company has the “Corporate Social Responsibility Best-Practice Principles” stipulated in accordance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies,” please state its deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” in operation:

The Company has the policies of corporate social responsibility commitment, employee code of conduct, environment safety and health, and the prohibition of hazardous substances in products stipulated and substantiated in compliance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.”

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

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

- Corporate commitment: We have the corporate governance perfected and been responsible to the stakeholders through the organizational operation and audit system of the Board of Directors, Audit Committee, Remuneration Committee, and Risk Management Committee; also, dedicated to the continuing innovation of design, production quality, and reliability through the quality management and commitment that is part of the corporate culture, been responsible to the customers and the environment, and received a number of international certifications and affirmations.
- Social Care: We fulfill our corporate social responsibility through the efforts of environmental consideration, love and welfare, arts and cultures sponsorship, and volunteer services. In terms of “Environmental Consideration,” Advantech as a manufacturer aims to provide green design, green production, and green products, and build a sustainable supply chain. As for the employees, Advantech actively encourages them to help maintain sustainable ecology and to spontaneously adopt and setup Advantech organic farms, from constructing sustainable green industry to embracing ecological green world jointly. Advantech has adopted organic farms since the year of 2017 with over NT$1 million donated annually. In terms of “love and welfare,” Advantech encourages employees associations to expand social services and sponsor Taishin Charity Foundation through Advantech Foundation to hold the “your vote is the power of love” social charity proposal platform, invite charity groups to propose education and culture proposals, and to completed the selection of sponsorship proposals through public voting mechanism. In terms of “arts and cultures sponsorship,” Advantech has sponsored “Colorful Life – Chen, Yang Chun,” National Taiwan College of Performing Arts and GuoGuang Opera Company performances, and Advantech ACT Drama volunteer groups for years; also, select excellent arts and cultures groups for private sponsorship through the “Arts & Cultures Salon” project. Advantech donate over NT$5 million a year to sponsor arts and cultural events. Advantech has started cooperating with National Taiwan College of Performing Arts on project planning since the year of 2015

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
with NT$3.01 million donated annually for three academic years in order to support the nurturing and development of traditional art and talents. In addition, we also encourage colleagues to turn their love into action through the "Volunteer Service" and to actively participate in various volunteer service activities and to pay forward. ● Industry-Academy Cooperation: Advantech believes that only the integration of innovation and learning characteristics of "industry-academy cooperation" is the driving force to activate social progress in the future. Therefore, we have to base on the core of "innovative learning," the method of "industry-academy cooperation," and the purpose of "talents gathering" to actively promote industry-academy cooperation activities, such as, TiC100 IoT Solution Contest, Early Design Campaign (industrial product forward-looking design competition), EACC Case Study and Elite Internship Program. In 2017, Elite Internship Program was first launched overseas. Except for Taiwan, it was conducted in eight Advantech overseas offices in Shanghai, Beijing, Japan, Korea, the United States, the Netherlands, France, and Italy. ● Employee care: We starting out from "Work, Learn, and Love" are determined to made Advantech an open development platform; also, to make Advantech a trustworthy enterprise that the colleagues can trust their happy life with the Company. In terms of "work," we provide cross-field, cross-border, and diversified job opportunities, encourage employees to expand their international perspective and work experience through job rotation, or compete to secure a cross-field job voluntarily in order to improve self-competitiveness at work place. In terms of "learning," Advantech provides staff with a variety of continuing education opportunities to enhance capability; also, plans online e-learning system and employee website to provide Advantech basic talent cultivation information and the concept of business direction. Moreover, a series of courses are planned for the elite talent to study the business operation of Advantech, to form practical hands-on experience, and to pass on the unique business philosophy of Advantech. In terms of "love," we are in the pursuit of a happy life. Advantech ABLE Club (Advantech Beautiful Life) has sports, love, Lohas, arts and cultural activities planned. Employees in their spare time are expected to innovate and learn, to experience life, to contribute to society, to practice altruistic ideas, and to create a happy life. The activities arranged by Advantech ABLE Club in 2017 were with the participation of over 10,000 persons.				
7.Please detail the Corporate Social Responsibility Report that has met the verification standard of the relevant certification institutions, if any: Advantech 2017 Corporate Social Responsibility Report has been compiled in accordance with the GRI Standards, and it will be independently verified by SGS Taiwan Ltd in April, 2018. (http://www.advantech.com/csr) .				

3.3.6 Ethical Corporate Management

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Operation (Note 1)</th><th rowspan="2">Deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>1.Formation of ethical management policies and methods
(1)Does the Company have the ethical management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies?
(2)Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, guidelines for conduct, disciplinary actions, and complaints system declared explicitly; also have it implemented substantively?
(3)Does the Company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the “Ethical Management Best Practice Principles for TWSE/GTSM Listed Companies” or other business activities subject to higher risk of fraud?</td><td>V
V
V</td><td></td><td>(1)The Company has established the Ethical Corporate Management Best Practice Principles, which has been published on the Company’s website and CSR website. The Ethical Corporate Management Best Practice Principles stipulate that directors, managers, employees, and mandataries of the Company or persons having substantial control over the Company shall implement the concept of ethical corporate management with the principle of good faith.
(2)The Ethical Corporate Management Best Practice Principles explicitly stipulate procedures and guidelines for preventing unethical conduct. The Whistle-blowing Handling Guidelines have also been established for implementation.
(3)The Ethical Corporate Management Best Practice Principles have stipulated the preventive measures for business activities which are possibly at a higher risk of being involved in unethical conduct prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or within other business scopes.</td><td>None</td></tr>
<tr><td>2.Substantiation of ethical management
(1)Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?
(2)Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code</td><td>V
V</td><td></td><td>(1)The Company expects and takes action to help trading partners recognize and comply with ethical corporate management. Depending on the circumstances, the provisions pertaining to ethical conduct will be prescribed in the contracts entered into with trading partners. If any unethical conduct</td><td>None</td></tr>
</table>

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
of integrity and to report on its implementation to the Board on a regular basis? (3)Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4)Does the Company have established effective accounting systems and internal control systems to substantiate ethical management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs? (5)Does the Company have organized ethical management internal and external education and training programs on a regular basis?	V V V		is found during transactions, the Company may terminate the transactions or rescind the contracts. (2)The Company has set up the Audit Committee under the Board. The Audit Committee is responsible to supervise and review the operation, finance, and internal control of the Company. Internal auditors shall audit compliance on a regular basis and report to the Audit Committee and the Board. Under the supervision of the Board, the Audit Committee ensures that the operation of the Company complies with statutory requirements and the Ethical Corporate Management Best Practice Principles. (3)The Company's "Guidelines for the Adoption of Codes of Conduct" for employees and the "Guidelines for the Adoption of Codes of Ethical Conduct" for the directors and managers include the clause of conflict of interest prevention; also, report any doubtful conflict of interest to the direct supervisor. (4)To ensure the implementation of ethical corporate management, the Company has set up the accounting system and the internal control system, whose implementation will be audited by internal auditors on a regular basis and reported to the Board. (5)The Company has published regulations and policies on the website for all employees' access. They are also included in the employee orientation and user manuals; in addition, the	

Assessment Items	Operation (Note 1)			Deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary	
			Company will organize a supplier conference on a regular basis to facilitate communication and make known related regulations pertaining to ethical corporate management.	
3.The operation of the Company’s Report System (1)Does the Company have a specific report and reward system stipulated, a convenient report channel established, and a responsible staff designated to handle the individual being reported? (2)Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported? (3)Does the Company have taken proper measures to protect the whistleblowers from suffering any consequence of reporting an incident?	V V V		(1)The Company has set up an email box and a whistle-blowing mailbox to encourage employees, clients, and third-party suppliers to express their opinions and report unethical conduct. The audit unit takes charge of the whistle-blowing mailbox and report to the Board and the chairman of the Board. Depending on the circumstances, investigators will be appointed to investigate the cases reported. (2)The Company has established the Whistle-blowing Handling Guidelines and related procedures, which stipulate that the identity of whistleblowers and contents reported shall be kept confidential and that investigators shall take proper care of information obtained during the investigation. To fully protect whistleblowers, an independent code will be assigned to each case reported. (3)The Company has the “Regulations Governing the Reporting” and related operating procedures stipulated. The identity of the whistleblower and the content of the reporting should be kept confidential and protected; also, the involving investigators should not disclose any information without authorization so to protect the whistleblower from any unfair treatment,	None

Assessment Items	Operation (Note 1)			Deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary	
			retaliation, or threat.	
4.Strengthening information disclosure (1)Does the Company have the content of ethical management and its implementation disclosed on the website and MOPS?	V		The Company has a website in Chinese and English and a CSR website established; also, the “Ethical Management Best-Practice Principles” is published on the MOPS.	None
5.If the Company has the “Ethical Management Best-Practice Principles” stipulated in accordance with the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies,” please state its deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” in operation: Advantech has established the Code to require that all employees, officers and board members comply with the Code and the other policies and procedures. There is no discrepancy between the Code, including its affiliate policies and procedures, and its implementation.				
6.Other important information helpful in understanding the ethical management operation: (Such as, the Company has its Ethical Management Best-Practice Principles reviewed and amended, etc.) Request the suppliers and contractors (including security company) through the Procurement Department and General Affairs Department to sign the “Corporate Social Responsibility and Environmental Safety and Health Commitment” and implement the relevant education and training and advocacy through the Supplier Convention.				

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

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

3.3.9 The implementation of the internal control system:

Advantech Co., Ltd.

Statement of Internal Control System

Date: March 31, 2018

Based on the findings of a self-assessment, Advantech Co., Ltd. (Advantech) states the following with regard to its internal control system during the year 2017:

1. Advantech's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and Advantech has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishment the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of Advantech contains self-monitoring mechanisms, and Advantech takes immediate remedial actions in response to any identified deficiencies.
3. Advantech evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. Advantech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Advantech believes that, on December 31, 2017, it has maintained, in all material respects, and effective internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability , timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Advantech's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting on March 2, 2018, with all of the seven attending directors all affirming the content of this Statement.

Advantech Co.,Ltd.

K.C. Liu
Chairman

Eric Chen
General Manager

Miller Chang
General Manager

Linda Tsai
General Manager

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

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

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

- Important resolution reached in the Shareholders' meeting and its implementation

  Advantech had the 2017 general shareholders' meeting held at the Neihu Headquarters on May 26, 2017. The resolutions reached in the shareholders' meeting and their implementations are as follows:

  1. The acknowledgement of the 2016 business report and financial statements
     Implementation: Resolved and acknowledged.
  2. The acknowledgement of the Company's 2016 earnings distribution.
     Implementation:Scheduled the distribution date on July 08, 2017 and the payment date on August 16, 2017 (Cash dividend: NT$6.3and $1 per share)
  3. The acknowledgement of the Company's "Articles of Association" amendment.
     Implementation:The Ministry of Economic Affairs approved the change registration and the announcement on the Company's website on June 13, 2017.
  4. The acknowledgement of the Company's "Procedures For Acquisition or Disposal of Assets".
     Implementation: The revised rules were published on the Company's website and MOPS on June 09, 2017 and implemented accordingly.
  5. The acknowledgement of the Company's "Procedures For Lending Funds to Other Parties".
     Implementation: The revised rules were published on the Company's website and MOPS on June 09, 2017 and implemented accordingly.
  6. The acknowledgement of the Company's "Procedures For Endorsement & Guarantee"
     Implementation: The revised rules were published on the Company's website and MOPS on June 09, 2017 and implemented accordingly.
  7. Election of the seventh Board of Directors (including independent directors)
     Directors: K.C. Liu、Ted Hsu、AIDC Investment Corp. Representative:Donald Chang、Advantech Foundation Representative :Chaney Ho
     Independent Directors: Jeff Chen、Joseph Yu、Benson Liu
     Implementation:The Ministry of Economic Affairs approved the change registration and the announcement on the Company's website on June 13, 2017.

- Important resolutions of the Board of Directors

  The important resolutions of the Board of Directors in 2017 and up to the printing date of the annual report are summarized as follows:

  1. General board meeting on March 06, 2017:
     - Approved the Company's 2017 business budget and operating plan.
     - Approved the Company's 2016 business report, proprietary financial statements and consolidated financial statements.
     - Approved the Company's 2016 distribution of remuneration to employees and remuneration to directors and supervisors.
     - Approved the Company's 2016 earnings distribution.

- Approved the Company's issuance of new shares from capital increase by earnings.
- Approved the Company's 2017 general shareholders' meeting convening matters.
- Approved the re-election of all board directors.
- Approved the time period and place to accept the shareholders' proposals and the nomination of a list of directors for the Company's 2017 general shareholders' meeting.
- Approved the proposal of the Company's nominating candidates for the election of the Directors (including the Independent Directors).
- Approved the proposal of lifting the noncompete clause against the newly elected directors and their representatives.
- Approved the Company's disposal of Advantech LNC Technology Co., Ltd. Shares.
- Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.
- Approved the application filed for the Company's 2017 bank credit line and authorized the Chairman to apply to the bank for credit loan renewal project within the credit line depending on the business operation.
- Approved the Company's 2016 "Declaration of Internal Control" completed.
- Approved the Company's "Articles of Association" amendment.
- Approved the Company's "Procedures For Acquisition or Disposal of Assets " amendment.
- Approved the Company's "Procedures For Lending Funds to Other Parties " amendment.
- Approved the Company's "Procedures For Endorsement & Guarantee " amendment.
- Approved the Company's "Procedures For Financial Derivatives Transactions " amendment.

2.General board meeting on March 28, 2017:

- Approved the review of the list of candidates nominated for the election of directors.

3. General board meeting on April 28, 2017:

- Approved the Company's 2017Q1 consolidated financial statements.

4.General board meeting on May 26, 2017:

- Approved the proposal for the election of the Company's current Chairman.
- Approved the Company's "Audit Committee " and establishment of the" Audit Committee constitution ".
- Approved the Company's 3rd committeemen of "Salary Remuneration Committee ".
- Approved the 2016 earnings distribution proposal that was resolved in the general shareholders' meeting on May 26, 2017 with the distribution base date scheduled.
- Approved the proposal of Company dispose of real estate property to the related persons.

5.General board meeting on June 09, 2017:

- Approved the proposal of the ex-right date and base date for the Company's capitalization by earnings.

6.General board meeting on June 28, 2017:

- Approved the adjustment of the 2014 employee stock option price.
- Approved the adjustment of the 2016 employee stock option price.

7.General board meeting on July 27, 2017:

- Approved the Company's 2017Q2 consolidated financial statements.
- Approved the Company's 2016 distribution of remuneration to employees and remuneration to directors and supervisors.

8.General board meeting on August 11, 2017:

- Approved the proposal of Company General Manager replacement.
- Approved the Company's "Articles of Association" amendment.

9.General board meeting on Oct 31, 2017:

- Approved the Company's 2017Q3 consolidated financial statements.
- Approved the proposal of Company acquiring common stocks of Winmate Inc. via private placement of securities.
- Approved the proposal of the Company's 2018 internal auditing plan.

10.General board meeting on Mar 02, 2018:

- Approved the Company's 2018 business budget and operating plan.
- Approved the Company's 2017 business report, proprietary financial statements and consolidated financial statements.
- Approved the Company's 2017 distribution of remuneration to employees and remuneration to directors supervisors.
- Approved the Company's 2017 earnings distribution.
- Approved the time period and place to accept shareholder's proposals for the Company's 2018
- general shareholders' meeting.
- Approved the 2017 CPA Independence Assessment Proposal.
- Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.
- Approved the application filed for the Company's 2018 bank credit line and authorized the Chairman to apply to the bank for credit loan renewal project within the credit line depending on the business operation.
- Approved the Company's 2016 "Declaration of Internal Control" completed.
- Approved the planning of the listing plan of the company's subsidiary LNC Technology Co.Ltd. In order to meet the requirements of applicable laws and regulations, The Company intend to have the shareholders authorize through the meeting that the Board of Directors may handle related capital increase by cash and release of shares within one year for the subsidiary.
- Approved the Company's "Articles of Association" amendment.
- Approved the proposal of Company 2018 issuance of Employee Stock Options.

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

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

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

CPA Firm	Name of CPAs		Audit Period	Remark
Deloitte & Touche	Meng Chieh Chiu	Chin Hsiang Chen	01.01.2017 - 06.30.2017	
Deloitte & Touche	Meng Chieh Chiu	Jason Ke	07.01.2017 - 12.31.2017	

Monetary unit: NT$ Thousand

Fee Range \ Fees Items		Audit fee	Non-audit fee	Total
1	Under NT $2,000,000			
2	NT$2,000,001～$4,000,000		2,930	2,930
3	NT$4,000,001～$6,000,000			
4	NT$6,000,001～$8,000,000			
5	NT$8,000,001～$10,000,000			
6	Over NT$100,000,000	12,600		12,600

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

Monetary unit: NT$ Thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fees					Audit Period	Remark
			System design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Meng Chieh Chiu Jason Ke	12,600		260		2,670	2,930	01.01.2017 - 12.31.2017	Other: Transfer pricing service fees

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

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

3.4.2 Replacement of CPAs: None

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

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

Changes in equity:

Title	Name	2017		As of March 31	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
Director	K.C. Liu	2,328,402	0	0	0
Director	Advantech Foundation	2,043,826	0	0	0
Representative	Chaney Ho	38,098	0	0	0
Director	Ted Hsu	0	0	0	0
Director	AIDC Investment Corp.	7,460,916	0	0	0
Representative	Donald Chang	0	0	0	0
Independent director	Jeff Chen	0	0	0	0
Independent director	Joseph Yu	24	0	0	0
Independent director	Benson Liu	0	0	0	0
President	Eric Chen	25,378	0	0	0
President	Miller Chang	50,897	0	0	0
President	Linda Tsai	35,505	0	0	0
Vice President	Deyu Yin	0	0	0	0
Accounting Officer	Rorie Kang	340	0	0	0
Major shareholder	Asus Computer Co., Ltd.	9,145,058	0	0	0
Major shareholder	K and M Investment Co., Ltd.	7,530,982	0	0	0

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

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

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

Unit: Shares; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Title	Relations	
Asus Computer Co., Ltd. Representative: Jonny Shih	100,628,870	14.43	0	0	0	0	None	None	None
	0	0	0	0	0	0	None	None	None
K and M Investment Co., Ltd. Representative: K.C. Liu	82,868,163	11.88	0	0	0	0	AIDC Investment Corp.	Director	None
	25,620,886	3.67	1,343,794	0.19	0	0	Advantech Foundation	Director	
AIDC Investment Corp. Representative: Mary Chang	82,097,182	11.77	0	0	0	0	K and M Investment Co., Ltd	Director	None
	1,343,794	0.19	25,620,886	3.67	0	0	Advantech Foundation	Director	
K.C. Liu	25,620,886	3.67	1,343,794	0.19	0	0	K and M Investment Co., Ltd.	Director	None
							AIDC Investment Corp.	Director	
							Advantech Foundation	Director	
HSBC commissioned to manage Yuan-Wang Partner Fund Limited Partnership account	23,980,359	3.44	0	0	0	0	None	None	None
Advantech Foundation Representative: K.C. Liu	20,288,715	2.91	0	0	0	0	K and M Investment Co., Ltd.	Director	None
	25,620,886	3.67	1,343,794	0.19	0	0	AIDC Investment Corp.	Director	
Tran-Fei Development Co., Ltd.	19,506,916	2.80	0	0	0	0	None	None	None
Yong-Shun Zhuang	15,921,725	2.28	0	0	0	0	None	None	None
HSBC (Taiwan) Commercial Bank Co., Ltd Trustee Account	11,443,152	1.64	0	0	0	0	None	None	None
Hermes Investment Funds plc on behalf of Hermes Global Emerging Markets Fund	8,415,919	1.21	0	0	0	0	None	None	None

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

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

※ Unit: Shares; %

Item	Affiliated Enterprises	Abbreviation	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/ Managers		Total Ownership	
			Shares	(%)	Shares	(%)	Shares	(%)
01	Advanixs Corporation.	Advansus	36,000,000	100	--	--	36,000,000	100
02	Advantech Corporate Investment .	--	150,000,000	100	--	--	150,000,000	100
03	Advantech Co. Singapore Pte, Ltd.	ASG	1,450,000	100	--	--	1,450,000	100
04	Advantech Japan Co., Ltd.	AJP	1,200	100	--	--	1,200	100
05	Advantech Australia Pty Ltd.	AAU	500,204	100	--	--	500,204	100
06	Advantech Co.,Malaysia Sdn. Bhd	AMY	2,000,000	100	--	--	2,000,000	100
07	Advantech Europe Holding B.V.	AEUH	25,961,250	100	--	--	25,961,250	100
08	Advantech Technology Co., Ltd.	ATC	33,850,000	100	--	--	33,850,000	100
09	Advantech Automation Corp.	AAC(BVI)	29,623,834	100	--	--	29,623,834	100
10	Advantech Europe B.V.	AEU	--	--	32,315,215	100	32,315,215	100
11	Advantech Poland Sp z.o.o	APL	--	--	6,350	100	6,350	100
12	Advantech Technology (China) Company., Ltd.	AKMC	--	--	--	100	--	100
13	Advantech Corporation	ANA	--	--	10,952,606	100	10,952,606	100
14	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd.	ACN	--	--	--	100	--	100
15	HK Advantech Technology Co., Limited	ATC(HK)	--	--	57,890,679	100	57,890,679	100
16	Advantech Automation Corp.(HK) Limited	AAC(HK)	--	--	15,230,001	100	15,230,001	100
17	Shanghai Advantech Intelligent Services Co., Ltd.	AiSC	--	--	--	100	--	100
18	Xi'An Advantech Software Co., Ltd.	AXA	--	--	--	100	--	100
19	Advantech Brazil S/A	ABR	1,794,996	80	--	--	1,794,996	80
20	Advantech Intelligent Service.	AiST	10,000,000	100	--	--	10,000,000	100
21	Advantech KR Co., Ltd.	AKR	600,000	100	--	--	600,000	100
22	DLOG Gesellschaft für elektronische Datentechnik mbH .	A-DLoG	--	--	1	100	1	100
23	Cermate Technology Inc.	Cermate	--	--	5,500,000	55	5,500,000	55
24	Advantech Corporation (Thailand) Co., Ltd.	ATH	--	--	51,000	51	51,000	51

Item	Investment Business	Abbreviation	The Company's investment		Investment of directors, supervisors, managers, and directly or indirectly controlled business		Omnibus investment	
			Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
25	LandMark Co., Ltd.	LandMark	--	--	972,284	100	972,284	100
26	Cermate Technologies (Shanghai) Inc.	Cermate Shanghai	--	--	--	100	--	100
27	Shenzhen Cermate Technologies Inc.	Cermate Shenzhen	--	--	--	90	--	90
28	Advantech International PT.	AID	--	--	300,000	100	300,000	100
29	Advantech Industrial Computing India Pvt. Ltd.	AIN	3,999,999	99.99	1	0.01	4,000,000	100
30	Advantech Electronics, S.De R.L.De C.	AMX	--	100	--	--	--	100
31	AdvanPOS Technology Co., Ltd.	AdvanPOS	1,000,000	100	--	--	1,000,000	100
32	LNC Technology Co.,Ltd.	LNC	24,350,000	81.17	--	--	24,350,000	81.17
33	Better Auto Holdings Limited	--	--	--	7,900,000	100	7,900,000	100
34	Famous Now Limited	--	--	--	1	100	1	100
35	Dongguan Pou Yuen Digital Technology Co.,Ltd.	--	--	--	--	100	--	100
36	Advantech Innovative Design Co., Ltd.	Advantech Innovative Design	1,000,000	100	--	--	1,000,000	100
37	ADVANIXS KUN SHAN CORPORATION	--	--	--	--	100	--	100
38	BEMC Holdings Corportation	BEMC	6	60	4	40	10	100
39	Avtek Corporation	Avtek	--	--	--	100	--	100
40	B+B SmartWorx Inc.	B+B	--	--	384,111	100	384,111	100
41	B+B SmartWorx Limited	BBI	--	--	--	100	--	100
42	B&B IMC, LLC.	IMC	--	--	--	100	--	100
43	Quatech,LLC.	Quatech	--	--	--	100	--	100
44	B&B Electronics Holdings LLC	B&B Electronics	--	--	--	100	--	100
45	Advantech B+B SmartWorx s.r.o.CZ	B+B(CZ)	--	--	--	100	--	100
46	Conel Automation s.r.o.	Conel Automation	--	--	--	100	--	100
47	B&B SmartWorx DMCC.	B&B DMCC	--	--	--	100	--	100
48	Kostec,co.,Ltd.	AKST	33,034	36	22,023	24	55,057	60

IV. Capital Overview

4.1 Capital and shares

4.1.1 Sources of capital

Unit: Thousand shares; NT$ Thousand

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

Month / Year	Par Value (NT$)	Authorized capital		Paid-in capital		Remark			
		Shares	Amount	Shares	Amount	Source of capital		Capital Increased by Assets Other than Cash	Others
01.2006	10	500,000	5,000,000	448,900	4,489,003	Conversion of convertible bond	477	None	
						Conversion of stock option	700		
04.2006	10	500,000	5,000,000	448,960	4,489,603	Conversion of stock option	600	None	
07.2006	10	500,000	5,000,000	463,180	4,631,795	Capitalization by earnings	139,792	None	Note 13
						Conversion of convertible bond	2,100		
						Conversion of stock option	300		
09.2006	10	500,000	5,000,000	463,365	4,633,645	Conversion of stock option	1,850	None	
12.2006	10	500,000	5,000,000	463,630	4,636,295	Conversion of stock option	2,650	None	
03.2007	10	500,000	5,000,000	463,665	4,636,645	Conversion of stock option	350	None	
07.2007	10	600,000	6,000,000	490,847	4,908,470	Capitalization by earnings	271,825	None	Note 14
09.2007	10	600,000	6,000,000	491,227	4,912,270	Conversion of stock option	3,800	None	
12.2007	10	600,000	6,000,000	491,577	4,915,770	Conversion of stock option	3,500	None	
04.2008	10	600,000	6,000,000	491,877	4,918,770	Conversion of stock option	3,000	None	
07.2008	10	600,000	6,000,000	481,877	4,818,770	Cancellation of Treasury Stock	(100,000)	None	Note 15
07.2008	10	600,000	6,000,000	481,962	4,819,620	Conversion of stock option	850	None	
08.2008	10	600,000	6,000,000	511,330	5,113,308	Capitalization by earnings	293,688	None	Note 16
10.2008	10	600,000	6,000,000	511,346	5,113,458	Conversion of stock option	150	None	
04.2009	10	600,000	6,000,000	511,366	5,113,658	Conversion of stock option	200	None	
07.2009	10	600,000	6,000,000	511,386	5,113,858	Conversion of stock option	200	None	
08.2009	10	600,000	6,000,000	516,009	5,160,087	Capitalization by earnings	46,229	None	Note 17
10.2009	10	600,000	6,000,000	516,134	5,161,337	Conversion of stock option	1,250	None	
11.2010	10	600,000	6,000,000	501,634	5,016,337	Cancellation of Treasury Stock	(145,000)	None	Note 18
08.2011	10	600,000	6,000,000	551,797	5,517,971	Capitalization by paid-in capital	501,634	None	Note 19
01.2012	10	600,000	6,000,000	552,996	5,529,961	Conversion of stock option	11,990	None	Note 20
04.2012	10	600,000	6,000,000	553,832	5,538,321	Conversion of stock option	8,360	None	Note 21
10.2012	10	600,000	6,000,000	560,893	5,608,937	Conversion of stock option	70,616	None	Note 22
01.2013	10	600,000	6,000,000	563,997	5,639,970	Conversion of stock option	31,033	None	Note 23
05.2013	10	600,000	6,000,000	565,205	5,652,050	Conversion of stock option	12,080	None	Note 24
08.2013	10	600,000	6,000,000	565,627	5,656,270	Conversion of stock option	4,220	None	Note 25
10.2013	10	600,000	6,000,000	566,924	5,669,248	Conversion of stock option	12,978	None	Note 26
02.2014	10	600,000	6,000,000	569,400	5,694,000	Conversion of stock option	24,752	None	Not e27
05.2014	10	600,000	6,000,000	571,451	5,714,511	Conversion of stock option	20,511	None	Note 28
07.2014	10	600,000	6,000,000	571,762	5,717,621	Conversion of stock option	3,110	None	Note 29
09.2014	10	800,000	8,000,000	628,702	6,287,021	Capitalization by earnings	569,400	None	Note 30
11.2014	10	800,000	8,000,000	630,103	6,301,031	Conversion of stock option	14,010	None	Note 31
02.2015	10	800,000	8,000,000	631,209	6,312,091	Conversion of stock option	11,060	None	Note 32
04.2015	10	800,000	8,000,000	631,518	6,315,186	Conversion of stock option	3,095	None	Note 33
06.2015	10	800,000	8,000,000	631,853	6,318,531	Conversion of stock option	3,345	None	Note 34
10.2016	10	800,000	8,000,000	632,609	6,326,091	Conversion of stock option	756	None	Note 35
01.2017	10	800,000	8,000,000	633,074	6,330,741	Conversion of stock option	465	None	Note 36
04.2017	10	800,000	8,000,000	633,254	6,332,541	Conversion of stock option	180	None	Note 37
07.2017	10	800,000	8,000,000	696,611	6,966,115	Capitalization by earnings	63,357	None	Note 38
11.2017	10	800,000	8,000,000	697,032	6,970,325	Conversion of stock option	421	None	Note 39
03.2018	10	800,000	8,000,000	697,282	6,972,825	Conversion of stock option	250	None	Note 40

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

Share Type	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Order common stock	697,457,510	102,542,490	800,000,000	Authorized capital stock, of which, 50,000 thousand shares are reserved for exercising stock options.

Note: It is the number of shares of the listed stock as of March 22, 2018.

Information of shelf registration: NA

4.1.2 Shareholder structure:

March 28, 2017 (Ex-transfer date)

Structure of Shareholder QTY	Government institutions	Financial institutions	Other juristic person	Natural person	Foreign institution & foreigners	Total
Number of persons	1	58	81	11,012	722	11,874
Shareholding	8	14,978,549	330,380,530	83,583,452	268,514,971	697,457,510
Shareholding ratio	0	2.15%	47.37%	11.98%	38.50%	100%

4.1.3 Status of Ownership Dispersion:

NT$10 Par
March 26, 2018 (Ex-transfer date)

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio
1 ~ 999	5,228	913,935	0.13%
1,000 ~ 5,000	4,843	9,231,409	1.32%
5,001 ~ 10,000	665	4,792,211	0.69%
10,001 ~ 15,000	228	2,811,351	0.40%
15,001 ~ 20,000	125	2,188,327	0.31%
20,001 ~ 30,000	150	3,719,868	0.53%
30,001 ~ 40,000	77	2,688,102	0.39%
40,001 ~ 50,000	58	2,655,363	0.38%
50,001 ~ 100,000	150	10,588,149	1.52%
100,001 ~ 200,000	116	16,429,351	2.36%
200,001 ~ 400,000	90	25,205,290	3.61%
400,001 ~ 600,000	36	17,922,569	2.57%
600,001 ~ 800,000	27	18,429,534	2.64%
800,001 ~ 1,000,000	9	8,337,684	1.20%
1,000,001 or over	72	571,544,367	81.95%
Total	11,874	697,457,510	100%

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

4.1.4 List of major shareholders:

March 26, 2018 (Ex-transfer date) Unit: Shares

Name of major shareholders \ Shares	Shareholding	Shareholding ratio
ASUSTEK COMPUTER Inc	100,628,870	14.43%
K and M Investment Co., Ltd.	82,868,163	11.88%
AIDC Investment Co., Ltd.	82,097,182	11.77%
K.C. Liu	25,620,886	3.67%
HSBC commissioned to manage Yuan-Wang Partner Fund Limited Partnership account	23,980,359	3.44%
Advantech Foundation	20,288,715	2.91%
Tran-Fei Development Co., Ltd.	19,506,916	2.80%
Yong-Shun Zhuang	15,921,725	2.28%
HSBC (Taiwan) Commercial Bank Co., Ltd Trustee Account	11,443,152	1.64%
Hermes Investment Funds plc on behalf of Hermes Global Emerging Markets Fund	8,415,919	1.21%

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

Unit: NT$

<table>
<tr><th colspan="3">Item \ Year</th><th>2016</th><th>2017</th><th>As of March 31, 2018</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">Max.</td><td>289.5</td><td>273.5</td><td>239</td></tr>
<tr><td colspan="2">Min.</td><td>194.5</td><td>197</td><td>206.05</td></tr>
<tr><td colspan="2">Average</td><td>241.72</td><td>232.09</td><td>218.43</td></tr>
<tr><td rowspan="2">Net worth per share</td><td colspan="2">Before distribution</td><td>39.83</td><td>39.56</td><td>41.92</td></tr>
<tr><td colspan="2">After distribution</td><td>33.53</td><td>(Note 4)</td><td>-</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average shares</td><td>695,475,939</td><td>696,802,088</td><td>697,403,843</td></tr>
<tr><td rowspan="2">Earnings per share</td><td>Before adjustment</td><td>8.96</td><td>8.84</td><td>1.95(註五)</td></tr>
<tr><td>After adjustment</td><td>8.15</td><td>(Note 4)</td><td>-</td></tr>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend</td><td>6.3</td><td>6.6</td><td>-</td></tr>
<tr><td rowspan="2">Stock dividend</td><td>Stock Dividend from Retained earnings</td><td>1.0</td><td>-</td><td>-</td></tr>
<tr><td>Stock Dividend from additional paid-in capital</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Cumulative un-paid dividend</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return on investment analysis</td><td colspan="2">Price / Earnings Ratio (Note 1)</td><td>26.98</td><td>26.25</td><td>-</td></tr>
<tr><td colspan="2">Price / Dividend Ratio (Note 2)</td><td>38.37</td><td>35.17</td><td>-</td></tr>
<tr><td colspan="2">Cash Dividend Yield Rate (Note 3)</td><td>2.61</td><td>2.84</td><td>-</td></tr>
</table>

Note 1: Price-Earning (PE) ratio = Annual average closing price per share / Earnings per share
Note 2: Price-Dividend ratio = Annual average closing price per share / Cash dividend per share
Note 3: Cash Dividend Yield = Cash dividend per share / Annual average closing price per share
Note 4: The proposal for the 2017 earnings distribution has not yet been resolved in the shareholders' meeting.
Note 5: The audited financial data as of 2018Q1 are presented.

4.1.6 Dividend Policy and Execution Status:

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

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

The amounts of NT$4,600,414,566 out of the 2017 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively.

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

The dividend (cash dividend) to shareholder for an amount of NT$4,600,414,566 out of the 2017 earnings are appropriated or distribution as cash dividends and share dividends to shareholders, respectively.Once the proposal is resolved in the shareholders' meeting, the board of directors will be authorized to have the distribution base date scheduled. The dividend distribution is calculated in accordance with the shareholding of the respective shareholder booked in the Shareholder Registry on the scheduled base date. There were 697,032,510 shares of common stock outstanding on December 31, 2017 that are entitled to the distribution of shareholder's dividend at NT$6.6 per share.

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

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

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

The distribution of stock dividend was not proposed in the 2018 shareholders' meeting; also, the Company is not required to publish the 2017 financial forecast in accordance with the provisions; therefore, no need to disclose the annual forecast information.

4.1.8 Employee Compensation and Remuneration to Directors and Supervisors:

1. Corporate Charter -Article 20:

The company's annual profits, if any, should be with 1~20% appropriated as bonus to employees; also, it is to be resolved in the board meeting with stock dividend or cash distributed to employees, including employees of the subsidiaries that meet certain conditions. The Company's Board of Directors may determine to appropriate an amount less than 1% of the profits referred to above as remuneration to directors and supervisors. The proposed bonus to employees and remuneration to directors and supervisors should be presented in the shareholders' meeting for a resolution. If the company is with accumulated losses, an amount for making up the losses should be reserved in advance before appropriating bonus to employees and remuneration to directors and supervisors according to the ratio referred to above.

On March 2, 2018, the Board of Advantech approved that the payment of employees' cash compensation for the year 2017 shall be made in compliance with a fixed ratio of annual profits, and that the payment of directors' compensation shall calculated based on the expected the calculated amount with accounting records. and the current-year distributable amount. In case of discrepancy between the preceding calculated amount and the actual amount distributed, it shall be corrected according to the accountant's calculation and the accounting record shall be adjusted for the year of distribution.

2.The estimation base for the distribution of employee Compensation and remuneration to directors and supervisor, the calculation base of the outstanding shares for the distribution of stock dividend,and the accounting process for the differences between the actual amount distributed and the estimated amount:

For the earnings distribution resolved in the shareholders' meeting, if the amount of the employee Compensation and remuneration to directors and supervisors is changed, the amount of difference should be handled in accordance with changes in accounting estimates and booked in the profit and loss of the following year without affecting the financial report that had already been acknowledged.

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

(1) On March 2, 2018, according to the revised charter based on the resolution, the company will disburse annual profit sharing:

Employee bonuses： NT$273,000,000.

Remuneration to directors and supervisors：NT$10,600,000.

Payments will be made in cash. The above amounts accurately reflect 2017 expenses already accounted for.

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

4. The distribution of the 2016 earnings as employee bonus and remuneration to directors and supervisors:

(1)The distribution of the annual employee bonus and remuneration to directors and supervisors is as follows:

Employees Cash dividend: NT$243,000,000

Remuneration to directors and supervisors: NT$12,300,000

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

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

4.2 Corporate bond:NA.

4.3 Preferred Stock issued: NA

4.4 Global depositary receipts issued: NA

4.4.1 Employee Stock Options issued

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

Types of employee stock option certificate	2014 Employ stock option	2016 Employ stock option
The effective date of declaration	July 29, 2014	June 17, 2016
Issuing date	August 12, 2014	August 12, 2016
The number of units issued	5,000 units	6,500 units
Ratio of the number of shares available for subscription to the total number of shares issued	0.72%	0.93%
Duration of subscription	8/12/2016 ~ 8/11/2020	8/12/2018 ~ 8/11/2022
Method of performance	Issuance of new shares	Issuance of new shares
Restrictive subscription period and ratio (%)	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and100% after 5 years	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and100% after 5 years
Number of shares subscribed	2,297,000	0
Amount of shares subscribed	209,223,300	0
Number of shares yet to be subscribed	2,703,000 股	6,500,000 股
Subscription price per share for the unsubscribed shares	84.2	88.5
Ratio of the unsubscribed shares to the total number of shares issued (%)	0.39%	0.93%
Impact on shareholders' equity	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.72% of the number of shares issued, which will not have significant impact on shareholders' equity.	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.93% of the number of shares issued, which will not have significant impact on shareholders' equity.

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

March 26, 2018

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

	Title	Name		Number of shares acquired	Ratio of subscribed shares to total number of shares issued	Subscribed				Unsubscribed			
						Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued	Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued
Management	Executive Board Director	Chaney Ho	2014 employee stock option certificate	900,000	0.13	282,000	84.2	25,052,400	0.04	618,000	84.2	52,035,600	0.09
	President	Eric Chen											
	President	Miller Chang											
	President	Linda Tsai											
	Vice President	Deyu Yin											
	President	Eric Chen	2016 employee stock option certificate	580,000	0.08	-	-	-	-	580,000	100	58,000,000	0.08
	President	Miller Chang											
	President	Linda Tsai											
	Vice President	Deyu Yin											
Employees	Ttop-10 employee		2014 employee stock option certificate	325,000	0.05	161,000	84.2	14,646,200	0.02	164,000	84.2	13,808,800	0.02
	Ttop-10 employee		2016 employee stock option certificate	250,000	0.04	-	-	-	-	250,000	100	2,500,000	0.04

4.4.3 Restricted Employee Shares: NA

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

4.4.5 Implementation of fund plan: NA

V. HIGHTLIGHTS OF OPERATIONS

5.1 Business Content

5.1.1 Business Scope

A. Major business operation of the Company:

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

B. Major products and business ratio of the Company:

Unit: NT$ Thousand

Ratio / Major product	2017	
	Sales Amount	%
Industrial computer	9,028,906	20
Embedded board and case	18,596,165	42
other	16,749,680	38
Total	44,374,751	100

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

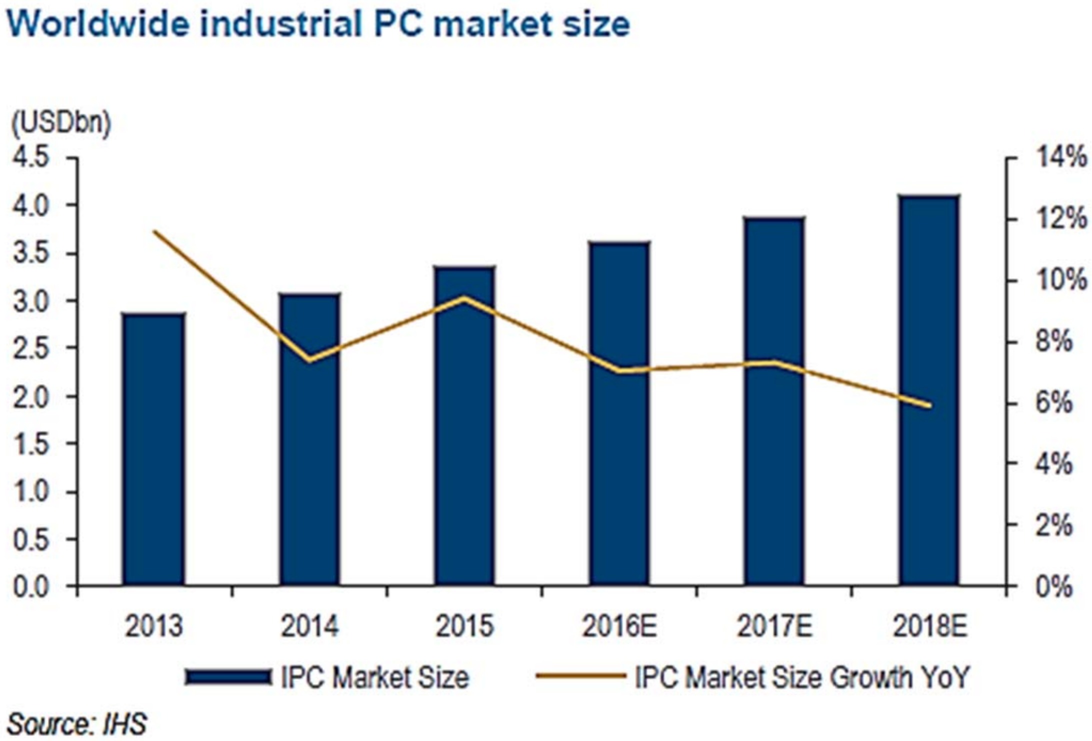
D. New product development plan of the Company:

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

5.1.2 Industry Summary

A. Industry status and development

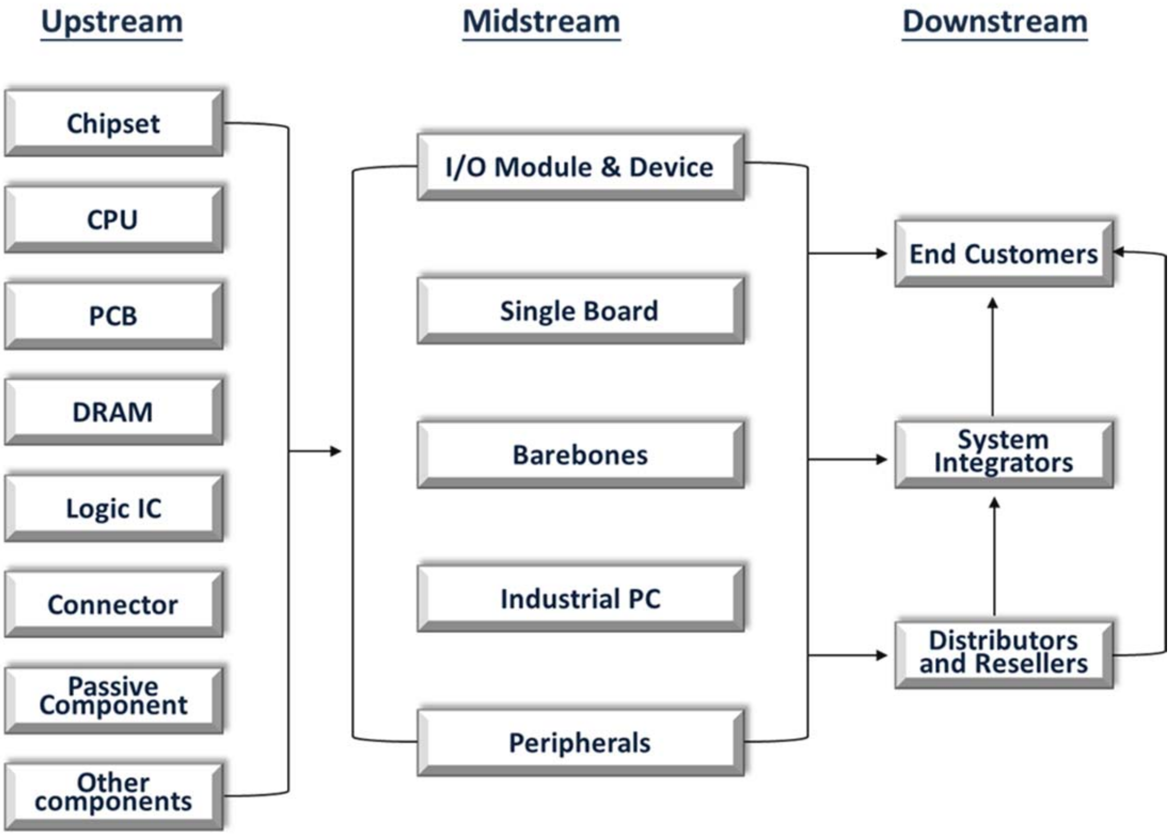
In early stage, Industrial PC (IPC) was mainly applied on the manufacturing process, instrument and the control and monitoring, testing of machine & equipment. The form-factor was restricted to industrial automated board system and the main application is automation system. In past few years, due to the rise of integrated solution of communication, internet, software and optical technology, IPC started to penetrate into more application markets, including MRT reader, vending machine, ATM, POS, game, network storage (NAS), Digital Signage, smart building automation monitoring systems and environmental monitoring systems, and lottery ticket computers. The overall targeting markets spread out from original “industrial” specialized to “intelligent” specialized. According to IHS, the global IPC market size reached US$3.6bn in 2016 with 7% YoY growth. Compared with PC and smartphone market, IPC is a niche market segment with more stable and moderate growth.



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

B. The supply chain in upstream, midstream and downstream

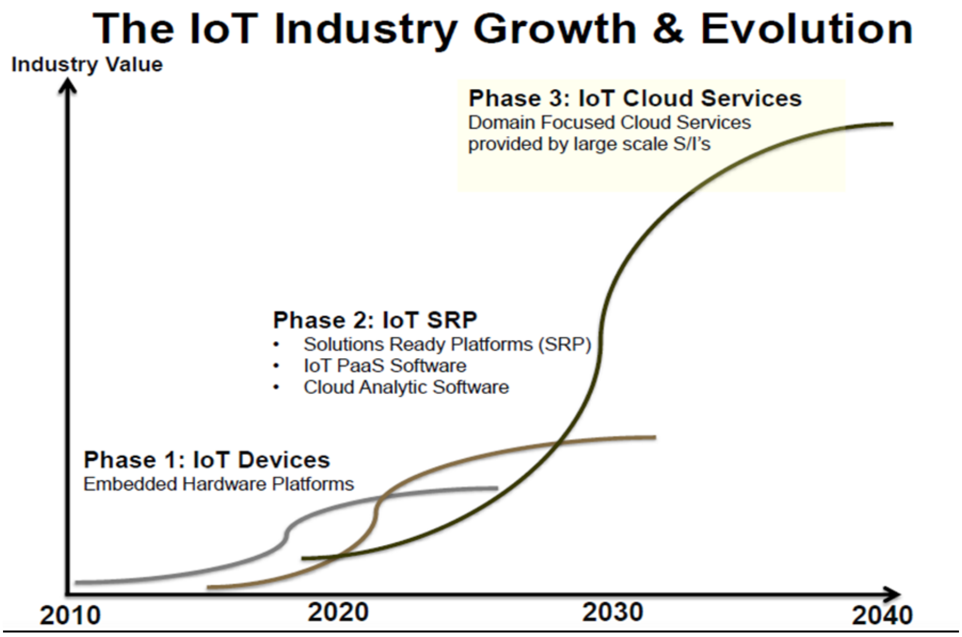
The supply chain of industrial PC and embedded systems



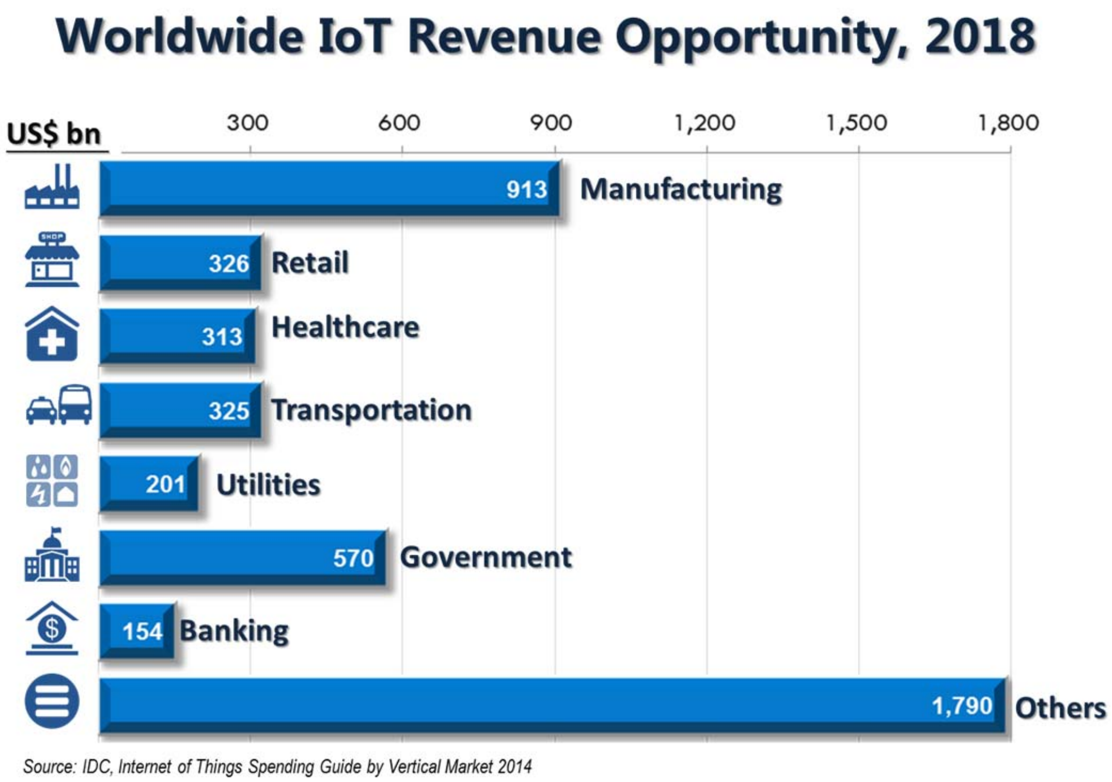
Simply speaking, IoT is formed by three layers of architecture, including “instrumentation”, “connectivity” and ‘intelligent computing” (please refer to below chart). The key players in the first layer- instrumentation- are Advantech, Delta, ABB, GE and etc. The key players in the second layer- connectivity-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

C. The industry development

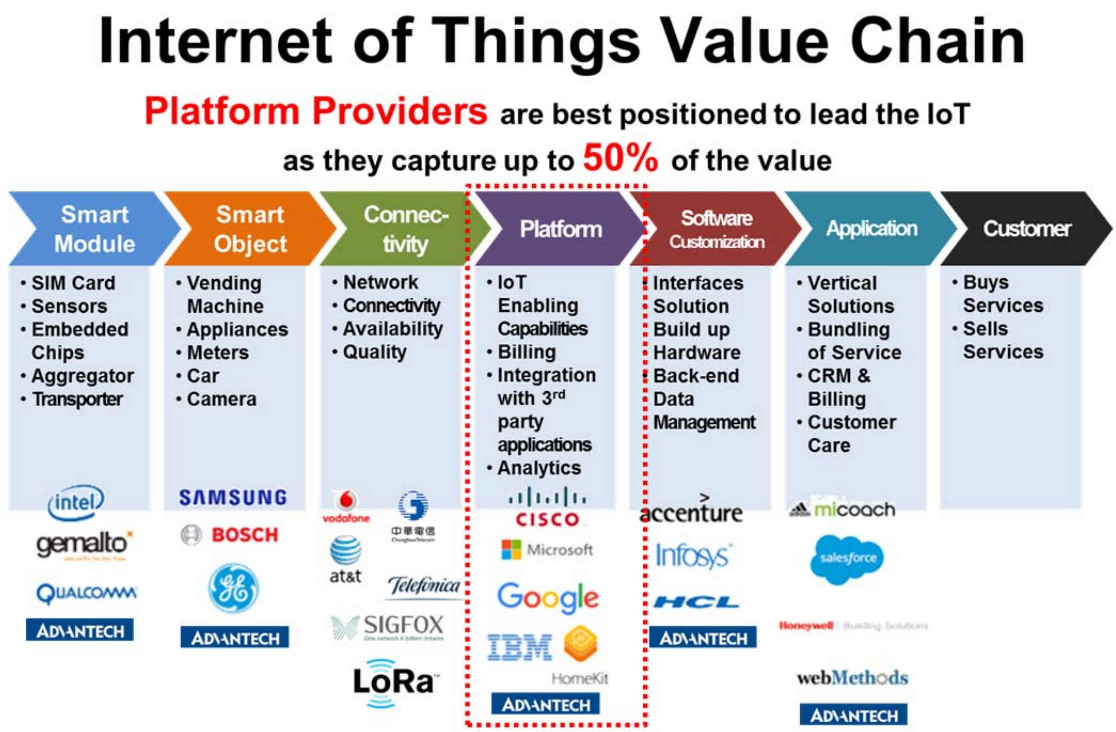
According to the report “The Internet of Things: Mapping the Value beyond the Hype”, published by McKinsey in 2015, there are three wave of growing stage of IoT (see the figure below). The first wave happened in 2010 and will get matured in 2020 and the major beneficiaries are IoT device makers, like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



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



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



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

5.1.3 Technology and Research & Development

1. The R&D expense incurred in the most recent year and up to the publication of the annual report:
   (1) Total R&D expense amounted to NT$3,811,815,000 in 2017;
   (2) Total R&D expense amounted to NT$924,762,000 in 2018Q1;

2. Successfully developed technology or product
   The Company values the importance of R&D. In addition to dedicating massive manpower in product R&D in Taiwan, there are also R&D teams designated in the USA, Europe, and China to accelerate the product development speed and grasp the market development.
   The Company has more than four new products launched in every year and with 48 patents acquired domestically or internationally by the end of 2017.

5.1.4 Long-term and short-term business development plan

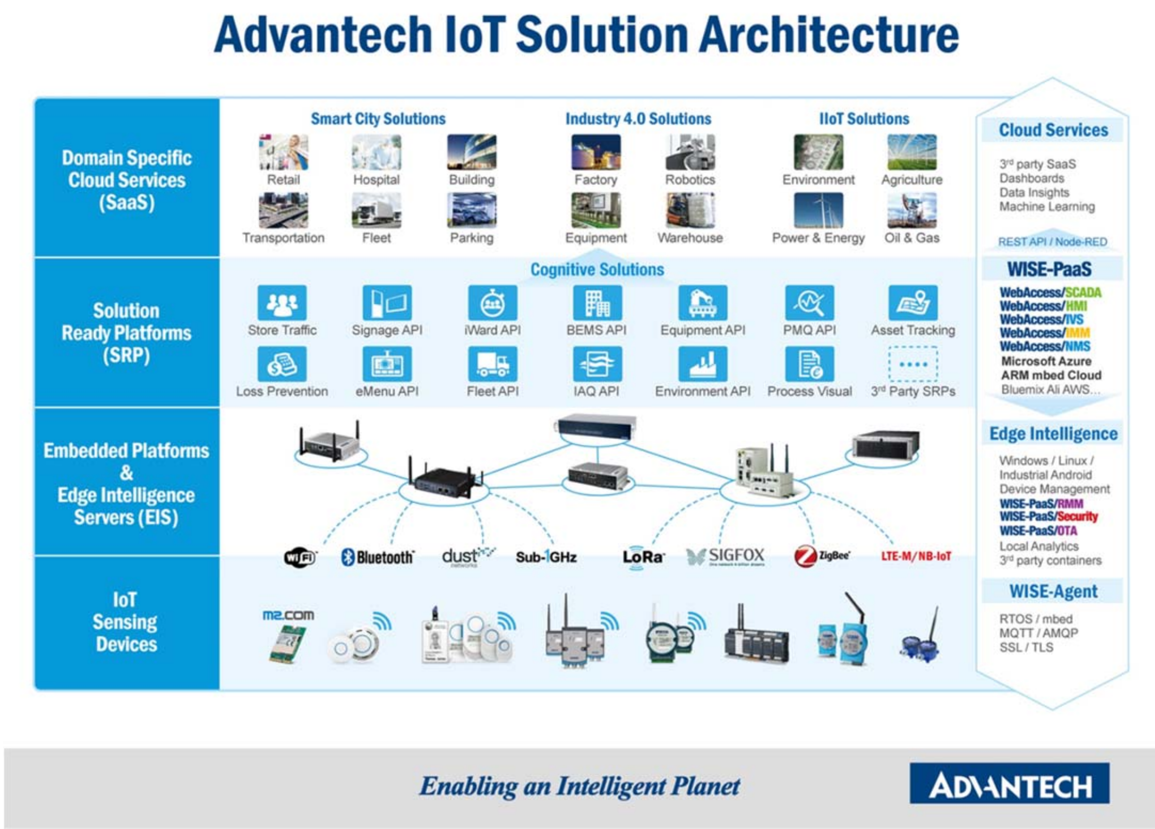
- **Short-term business development**
  - Enhance the industry diversity and global sales network to reduce the systematic risk from single industry and country
  - Provide localized and tailor-made service to scale up the leading advantage with peers. In 2018, the key geographical strategy will be JV (joint venture) with channel partners in emerging countries (, like in Vietnam, Turkey and Russia) and site office expansion in mature countries (,like Europe and United States).
  - Strengthen certain market insight to increase the customer partnership.

- **Long-term business development**
  - **Enhance the advantage in R&D and manufacturing**

    Advantech will keep investing in R&D to provide differentiated service to fulfill the diversity request from IoT specialized customer. Given this, Advantech has R&D centers in Taiwan, China, Germany and United States. In addition, Advantech consolidate all the production sites in northern Taiwan to the mega campus in Linkou Taiwan starting from October 2016 to realize the vision of smart manufacturing.

  - **Establish the WISE-PaaS Software Platform**

    To catching up the 2nd wave of IoT growing opportunity, Advantech aggressively invested in software platform since 2015.In 2015, WISE PaaS focused on resource integration and platform architecture development. In 2016, WISE PaaS identified few successful user cases in EIS(Edge Intelligence Server) and SRP(Solution Ready Platform). In 2017, WISE PaaS targets to upgrade the overall service to cloud side to provide a more reliable and speedy intelligent computing platform. In 2018, SRP commercialization will be the key milestone. Advantech will leverage successful cases in China to expand to global markets.



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

  In addition to cooperate with external partners, Advantech is aggressively looking for M&A opportunities to enhance the capability in technology and software and to accelerate the development in IoT vertical market ecosystem.
  In 2016, Advantech successfully acquired B+B SmartWorx into the group. In January 2017, Advantech announced to invest Kostec, a healthcare monitor provider. In October 2017,Advantech invested 18% stake of Winmate Communication Inc.(3416.TW) through private placement to expand the scope of IoT Allied Platform Service Alliance.

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

5.2.1 Market, Production, and Sales Review

A. Market Analysis

1. Main product and main market:

Unit: NT$ Thousand

Area	2017
Asia (including Taiwan)	22,150,651
America	13,277,208
Europe	7,170,151
Other	1,776,741
Total	44,374,751

2. **The market share and competition landscape**

- **The market share in industrial PC segment**

According to IHS, the compound growth rate of global industrial PC market is around 6% in 2014-16. The growth rate slowed down in 2015-16 and will recover in 2017-19.

Advantech is reported to have 29% market share in 2014, improved 0.5% compared with a year ago. By geography, Advantech is positioned as the No.1 market share company in United States and APAC. In EMEA, Siemens is the No.1 market share company. The top 4 industrial PC vendors totally occupied 54% revenues of the global Industrial PC market and the top 10 vendors totally occupied 65% market revenues.

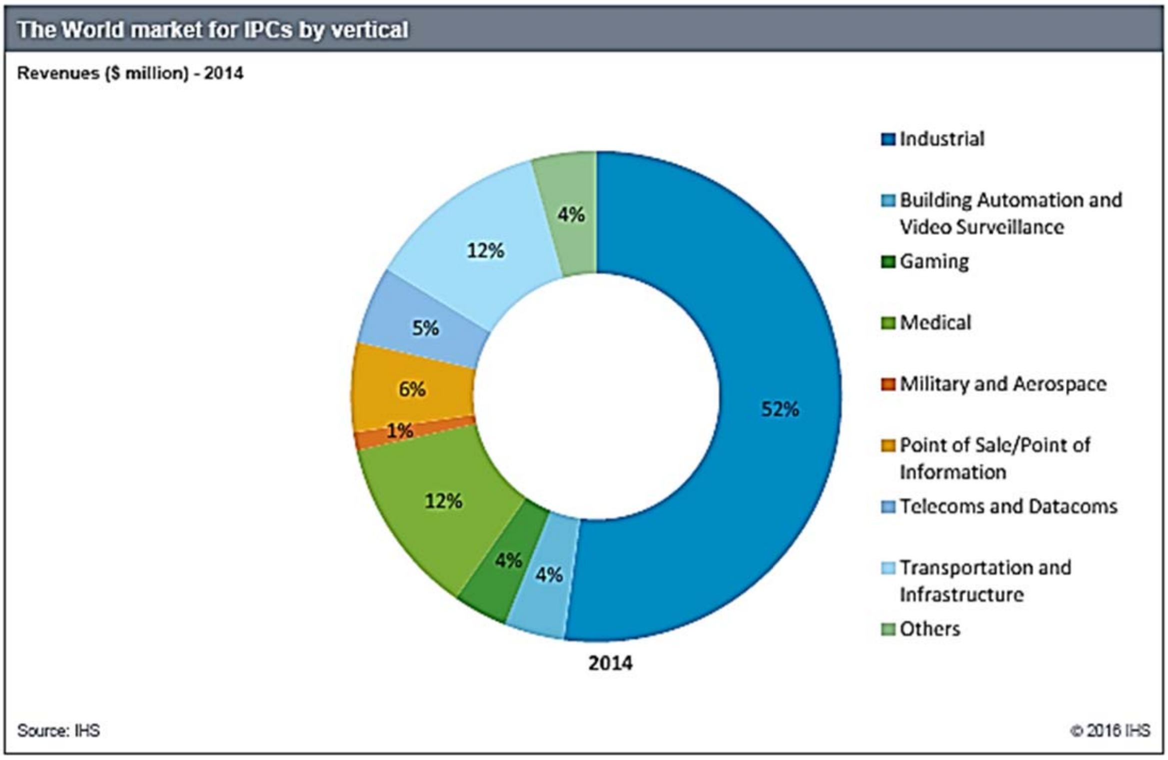


Table 2.16 The World market share estimates for Industrial PCs 2013 and 2014 -$ Revenues				
	Company	2013	2014	% Change
1	Advantech	28.5%	29.0%	0.5%
2	Siemens	9.0%	9.0%	0.0%
3	Beckhoff	6.5%	6.0%	-0.5%
4	Kontron	5.5%	5.5%	0.0%
5	American Industrial Systems	3.0%	4.5%	1.5%
6	B & R Automation	3.5%	3.0%	-0.5%
7	Nexcom International	2.0%	2.0%	0.0%
7=	Avalue	2.0%	2.0%	0.0%
7==	DFI	2.0%	2.0%	0.0%
7===	IEI Technology	2.0%	2.0%	0.0%
	Others	36.0%	35.0%	
The market in 2013 was estimated to be worth $2937.4 million				
The market in 2014 was estimated to be worth $3206.8 million				

- **The market share in embedded board and systems**

According to the report published by IHS in November 2016, the overall market size of embedded board and systems was around US$2.5bn in 2015, with 3.7% CAGR in 2015-2020. By application market, industrial automation, communications and defense are the key applications in embedded markets. By growth potential, industrial automation is the driving force. Advantech is reported to have 12% market share in embedded board and systems in 2015.

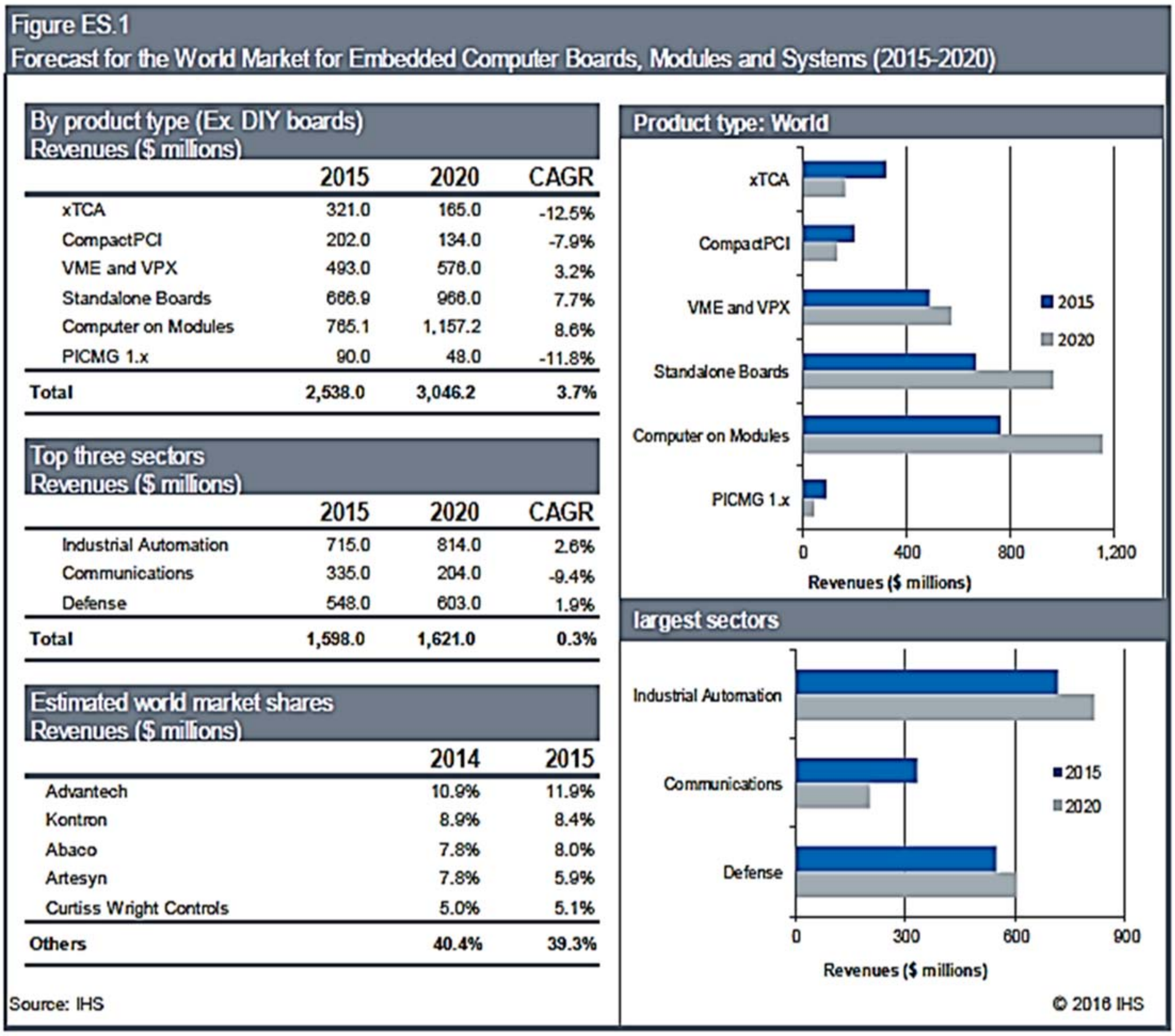


Figure ES.1
Forecast for the World Market for Embedded Computer Boards, Modules and Systems (2015-2020)

By product type (Ex. DIY boards)
Revenues ($ millions)

	2015	2020	CAGR
xTCA	321.0	165.0	-12.5%
CompactPCI	202.0	134.0	-7.9%
VME and VPX	493.0	576.0	3.2%
Standalone Boards	666.9	966.0	7.7%
Computer on Modules	765.1	1,157.2	8.6%
PICMG 1.x	90.0	48.0	-11.8%
Total	2,538.0	3,046.2	3.7%

Top three sectors
Revenues ($ millions)

	2015	2020	CAGR
Industrial Automation	715.0	814.0	2.6%
Communications	335.0	204.0	-9.4%
Defense	548.0	603.0	1.9%
Total	1,598.0	1,621.0	0.3%

Estimated world market shares
Revenues ($ millions)

	2014	2015
Advantech	10.9%	11.9%
Kontron	8.9%	8.4%
Abaco	7.8%	8.0%
Artesyn	7.8%	5.9%
Curtiss Wright Controls	5.0%	5.1%
Others	40.4%	39.3%

Source: IHS

© 2016 IHS

■ The supply demand condition and product competition

Due to the nature of highly tailor-made form factor and diversity customer requirement, there is no over-supply situation in industrial PC and embedded system. However, the industrial cycle and business sentiment is highly related to enterprise capex in different vertical market. The risk will come from the macroeconomic dynamic, which will result in a conservative attitude of enterprise capex planning. In addition, most of Taiwan based companies are export-driven business model. The big exchange rate volatility will impact negatively to the profitability.Since 2017, given the rising demand in electric vehicle and cryptocurrency, certain electric components has supply shortage with rising selling price, including flash, SSD, ICs/Chipsets and PCB, which lead a margin pressure to Advantech's operation. However, Advantech sustained the operating margin above 15% in 2017, on back of utilizing product mix and improving production efficiency. In 2018, the margin swing factors still come from rising component price but Advantech still intend to sustain our margin profile through continuing operating efficiency improvement.Advantech is positioned well in the industrial PC and embedded system market. However the overall market growth is relative milder in the future. At the same time, traditional motherboard makers are aggressively to take the low-end embedded market share due to the stability embedded market nature. If Advantech only eyes on current business, the future growth potential is limited as well. Therefore, Advantech penetrated into new application market and IoT industry since 2010, keeping enhancing software capability, and expect IoT might provide new growth catalyst in the future.

The Company’s other products awarded in recent

Year	Awards
2018	· 26th Symbol of Taiwan Excellence Silver Medal Winner for the iPS-M100 Hot Swappable Medical-grade Industrial Power System · 26th Symbol of Taiwan Excellence Silver Medal Winner for the POC-WP243 24” Medical Computer · 26th Symbol of Taiwan Excellence Winner for the CRV31-430WP 43” Industrial Curved Monitor · 26th Symbol of Taiwan Excellence Winner for the TPC-5000 series Modular Industrial Touch Panel Computer · 26th Symbol of Taiwan Excellence Winner for the SRP-ESP315 Solar Power Management Solution
2017	▪ Advantech receives "Taiwan Top 6 Global Brands" award from the Bureau of Foreign Trade ▪ Advantech named Asia no.36 and Taiwan no.5 in Nikkei’s Asia 300 list ▪ Advantech Wins “ROI Industry 4.0 Award China” for Its Digital Factory ▪ The 25th Symbol of Excellence Winner for high performance 4U server system DMS-SA21, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for fanless railway panel PC ARS-P3800 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for 8” multi-functional handheld POS system AIM-65 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for pocket-size smart factory edge gateway UNO-2271G, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for 21.5" industrial multi-touch panel PC stainless steel chassis IPPC-5211WS, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for 10.1” healthcare/hospitality infortainment terminal HIT-W101C, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for embedded Qseven board SOM-3568, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for rolling stock fanless system ARK-2231R/ ARK-2230R, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for modular fanless box PC ARK-1124H / ARK-1124U /ARK-1124C, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for power automation computers ECU-4784, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for palm Size vision system AIIS-1200, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for fanless vision system AIIS-5410P, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for compact fanless system MIC-7500, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for video wall signage player DS-980, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for thin barebone system EPC-T2285, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for embedded motion controller MVP-3245, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for intelligent remote terminal unit ADAM-3600/ ADAM-3617/ ADAM-3618/ ADAM-3624/ ADAM-3651/ ADAM-3656, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for managed redundant industrial ethernet switches EKI-7700 Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for Advantech WebAccess/Cloud , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for WISE-DK1520 starter kit , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 25th Symbol of Excellence Winner for development kit for RTX v2.0 CPU Module ROM-3420 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

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

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

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

	▪ The 20th Symbol of Excellence Winner for High seismic wide-range temperature PCI-104 CPU board, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Green energy-saving industrial-grade motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Electricity market exclusive fanless embedded industrial computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Industrial-grade flat touch panel LED display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Open-style Easy handling digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Low-power consumption high display digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Expandable blade-type 5-slot Industrial PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2011	▪ Awarded with the “2011Taiwan Top 10 Global Brands” Award. ▪ The 19th Symbol of Excellence Winner for ARK-VH200 fanless on-board DVR embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for FWA-6500 network applied platform, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for NCP-5260, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PC/104, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PCM 9562, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PEC-3240 fanless industrial-grade embedded motion controller, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PIT-1501W healthcare and infotainment entertainment systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for SOM-5788 Intelligent smart embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for Low-power consumption and wide-range temperature industrial touch control PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for TREK-550, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2010	▪ Awarded with the “2010 Taiwan Top 12 Global Brands” Award. ▪ Awarded by Chinagkong with the “Decade Industrial Contribution” and “Decade Leading Industry.” ▪ The 18th Symbol of Excellence Winner for IPPC- 8151S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for APAX- 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for Uno- 1100 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for UTC-W101E, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for NCP-7560, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for MIC-5322, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2009	▪ The 17th Symbol of Excellence Winner for IPPC 7517, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 17th Symbol of Excellence Winner for EKI 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ Awarded with the “Electron d'Or Award for Industrial and Network Computing Architecture (INCA)” ▪ Awarded with the “2009 Taiwan Top 12 Global Brands” Award. ▪ Awarded with the “2009 China Outstanding Innovation Enterprise” award by CIO IT Magazine.
2008	▪ Advantech received the 4th prize of the 2nd “Corporate Social Responsibility Award” from Commonwealth Magazine, Taiwan, ROC ▪ The 16th Symbol of Excellence Winner for UbiQ 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for VITA 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

2008	▪ The 16th Symbol of Excellence Winner for UNO-2182, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for TPC-30T/TPC-32T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for IPPC-7157A/IPPC-7158B, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2007	▪ Advantech received the 3rd “Corporate Social Responsibility Award, Top Honor” in 2006 from Global Views Magazine, Taiwan, ROC ▪ Advantech received the 1st “Corporate Social Responsibility Award from Commonwealth Magazine, Taiwan, ROC ▪ ARK-3381 received Computex Taipei Best Choice Award. ▪ The 15th Symbol of Excellence Winner for UibQ-230, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 15th Symbol of Excellence Winner for ARK-4170, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 15th Symbol of Excellence Winner for ADAM-5550KW, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2006	▪ Advantech received the 2nd “2006 Corporate Social Responsibility Award” from Global Views Magazine, Taiwan, ROC ▪ Received the Supplier of the Year for the Embedded Single-Board Computer from “Control Design” Magazine ▪ Advantech awarded by Intel with the “Intel Associate Partner of the Year” and “Multi-Core Solution Contest Award.” ▪ Advantech received Microsoft’s “The Most Growth Award in Asia Award.”
2005	▪ Awarded with the 13th MOEA “Industrial Technology Advancement Award of Excellence.” ▪ Gold Award Embedded Control Europe (ECE) magazine readers awarded TREK-755 Sunlight Readable Model with Gold Award
2004	▪ Awarded with the “2004Taiwan Top 10 Global Brands” Award by the Bureau of Foreign Trade, MOEA. ▪ The 10th Symbol of Excellence Winner for Small-size industrial-grade touch controlled computer TPC-60S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for Industrial-grade front-wired fanless computer UNO-3062, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for Industrial computer work station AWS-8100G, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ Won the Control Design Reader’s Choice Award for “Single Board PC” First Prize. ▪ FPM-3170 17” Flat Panel Monitor received the “2004 Editor’s Choice Award” HMI First Prize from Control Engineering Magazine (USA).
2002	▪ Accepted as the one and only Gold-Level Partner in Microsoft’s Windows Embedded Partner ODM Category. ▪ The 10th Symbol of Excellence Winner for Smart home network terminal EH-7102G / GH, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for 586-grade Internet accessible equipment remote monitoring system WebLink2059-BAR / CE / SDA / SKT, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2001	▪ Completed the “MOEA Industry Technology Development Industrial Plan (ITDP)” of the Technology Division MOEA ▪ Multimedia network telephone ES-510 received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC ▪ Full-function LCD touch computer PPC-153T received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC ▪ The 9th Symbol of Excellence Winner for Multimedia network telephone ES-510, the MOEA, Taiwan, ROC. ▪ The 9th Symbol of Excellence Winner for Full-function LCD touch computer PPC-153T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 9th Symbol of Excellence Winner for Family Vestibule Internet terminal EH-760, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 9th Symbol of Excellence Winner for multifunction firewall WEB-2143, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2000	▪ Full-function LCD touch-type computer PPC-153T awarded with the “Best Innovative Product Award” by KIOSK Magazine (USA). ▪ IPC-601 awarded with the “Most Valuable Product” Award at the Telecom Network Exhibition. ▪ MIC-3032 awarded with the “Most Valuable Product” at the telephone computer voice integration exhibition. ▪ 2A-100 awarded with the “Most valuable Telecom Network Telecom Product” by the US telecom network magazine
1999	▪ ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan ▪ ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan. ▪ The 7th Symbol of Excellence Winner for card-type computer CPC-2245, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 7th Symbol of Excellence Winner for Touch control server PPC-A100T-R50, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

1998	▪ Awarded with the Most Representative Outstanding Company by Industrial Development Bureau, MOEA, Taiwan, ROC ▪ PPC-102T Panel Computer received the 6th Gold National Award of Excellence, Taiwan, ROC ▪ The 6th Symbol of Excellence Winner for PC-based remote monitoring system ADAM-5000 series, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 6th Symbol of Excellence Winner for PPC-102T Panel Computer, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 6th Symbol of Excellence Winner for Multi-function LCD panel computers PPC-140T, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ PPC-140T Multi-Function Panel PC received the Comdex Asia 98 “Best Hardware System Award.” ▪ Multi-function LCD panel computers PPC-140T awarded with the “KIOSK Best Solution Product” by CRN Magazine (USA). ▪ IPC-6908 awarded with the “Most Valuable Product of the Year” by CTI Magazine (USA) ▪ Advantech received the 4th place of the “Most Worthy of Investment Companies” Award from Commonwealth Magazine, Taiwan, ROC ▪ Advantech received the 6th place of “The Best Performing Companies” Award from Commonwealth Magazine, Taiwan, ROC
1997	▪ Received ISO-14001 Environmental Management System Certification. ▪ Awarded with the 5th Award for Industrial Technology Advancement Most Outstanding Award, the MOEA, Taiwan, ROC ▪ IPC-622 awarded with the “Most Valuable Product of the Year” Award by the US Computer Telephony Magazine.
1996	▪ Awarded with the 4th Award for Industrial Technology Advancement and Outstanding Award, the MOEA, Taiwan, ROC ▪ The 4th Symbol of Excellence Winner for ADAM-4000 Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
1995	▪ The in-house developed industrial control software -GENIE awarded with the “Outstanding Information Application Award.”
1993	▪ Awarded with the 2nd National Award of Small & Medium Enterprise by National Association of Small & Medium Enterprise ▪ Received ISO-9001 Quality Management System Certification.
1992	▪ Awarded with the “Outstanding Export & Import Performance Award” by General Chamber of Commerce of New Taipei City ▪ ROC Blue Chip Corporate Training Unit “Gold Merchant Award”
1991	▪ Awarded with the “Outstanding Export & Import Performance Award” by General Chamber of Commerce of New Taipei City
1990	▪ Awarded with the “Outstanding Export & Import Performance Award” by General Chamber of Commerce of New Taipei City
1989	▪ Awarded with the “Innovative Product Award” at the 3rd Instrument Exhibition, Taipei City, ROC

5.2 Main Applications of major products and their manufacturing processes

5.2.1 Main applications of major products:

(1) Embedded Computing

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

(2) Industry Automation

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

(3) Intelligent System

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

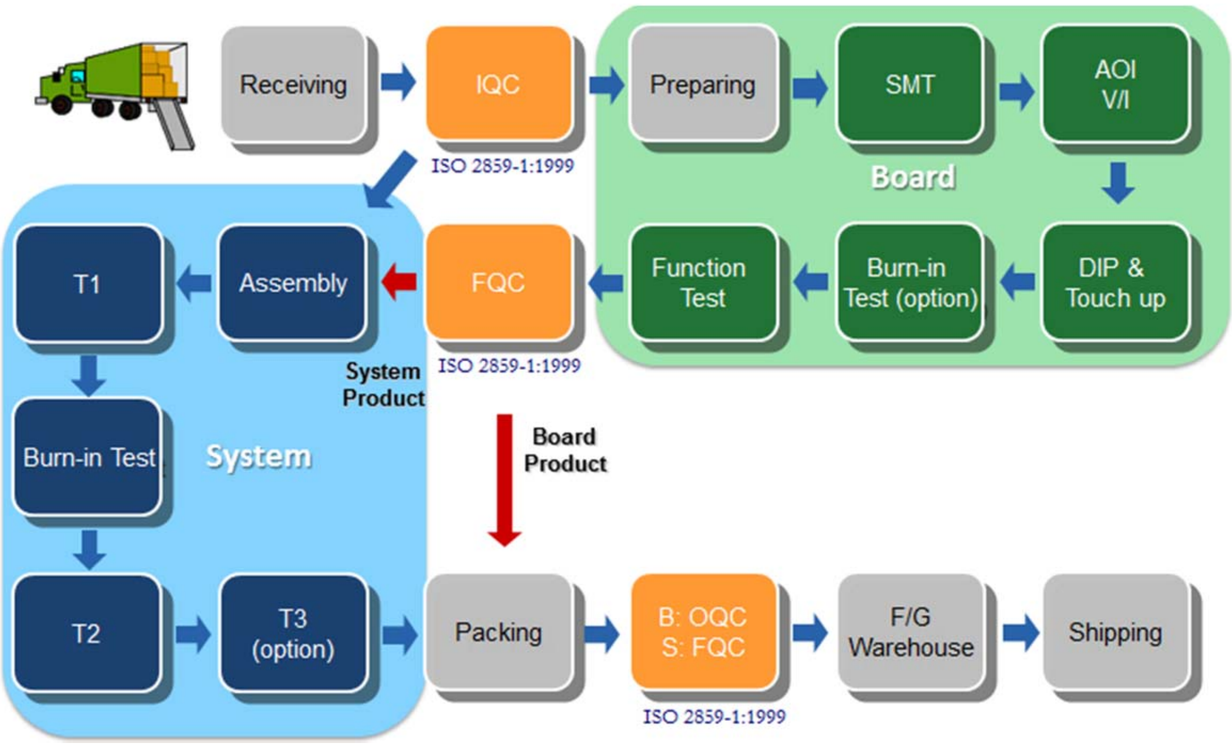
Transportation Systems, Video Solution, modular IPC are included.

(4) Intelligent Services

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

5.2.2 The production process of main products:

Advantech Process Control Chart



(1) Board Level Production Flow

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

(2) System Level Production Flow

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

5.2.3 The Supply of Major Materials

Raw material	Supplier
Integrated circuit <including chip>	SERTEK、WTMEC、Anstek、Arrow、WEIKENG
LCD	PROMATE 、SERTEK
Touch screen sensor <Glass>	SALT 、Getac
PCB	CIRCUITECH 、ALLIED 、Gaoduo 、Canyon

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

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

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

Unit: NT$ Thousand

	2016				2017				As of 2018Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the last quarter of the year (%)	Relationship with the issuer
1	SERTEK INC.	3,911,168	18.87	None	SERTEK INC.	3,198,559	14.33	None	SERTEK INC.	1,136,394	17.96	None
2	Others	16,810,330	81.13		Others	19,122,869	85.67		Others	5,189,923	82.04	
3	Total	20,721,498	100		Total	22,321,428	100		Total	6,326,317	100	

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

Unit: NT$ Thousand

	2016				2017				As of 2018Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	〔%〕Percentage of the last quarter of the year (%)	Relationship with the issuer
1	Others (Note)	42,002,198	100.00	None	Others (Note)	44,374,751	100.00	None	Others (Note)	11,355,195	100.00	None
	Net sales amount	42,002,198	100.00		Net sales amount	44,374,751	100.00		Net sales amount	11,355,195	100.00	

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

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

Unit: Unit/PC; NT$ Thousand

Year / Output / Main Products	2016			2017		
	Production capacity	Production quantity	Production Value	Production capacity	Production quantity	Production Value
Industrial computer	549,622	536,025	5,882,459	648,935	575,618	5,712,509
Embedded board and case	1,878,821	1,746,272	7,428,881	2,247,782	2,160,823	8,739,587
Others	1,069,493	992,519	4,346,152	1,204,869	1,040,306	4,651,210
Total	3,497,936	3,274,816	17,657,492	4,101,586	3,776,747	19,103,306

5.2.6 Sales Volume and Value of the last two years

Unit: Unit/PC; NT$ Thousand

Year / Shipments & Sales / Main Products	2015				2016			
	Domestic Sales		Export Sales		Domestic sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Industrial computer	40,695	376,207	465,728	9,291,233	33,679	210,122	435,399	8,818,784
Embedded board and case	255,942	1,640,161	1,807,035	14,478,104	329,160	1,857,112	2,197,225	16,739,053
Others	130,597	1,451,084	1,643,286	14,765,409	102,116	1,382,127	1,637,240	15,367,553
Total	427,234	3,467,452	3,916,049	38,534,746	464,955	3,449,361	4,269,864	40,925,390

5.3 Employee information

March 31, 2018

Year		2016	2017	As of March 31, 2018
No. of Employee	Direct staff	2,598	2,362	2,372
	Indirect staff	5,050	5,431	5,600
	Total	7,648	7,793	7,972
Average age		37.67	36.3	35.9
Average seniority		5.84	5.8	5.7
Academy Ratio	Ph.D	0.25	0.2	0.3
	Master	19.09	19.4	19.7
	College	48.28	47.4	47.5
	Senior High School	27.77	27.7	27.3
	Below Senior High School	4.6	5.2	5.2

5.4 Expenditures on Environment Pollution Control

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

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

■ **Eco-friendly product design**

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

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

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

■ **Environmental protection management**

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

Overview of Advantech's environmental protection investments

Environmental Management Targets		Achievements
Energy saving and carbon reduction programs	Reduced electricity consumption per unit of product produced by 5%	Reduced electricity consumption per unit of production by 19.32%
Waste reduction program	Reduce industrial Scrap rate waste under 3%	industrial Scrap rate waste is 1.32%

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

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

2017 Advantech Environmental Protection Investment Expenses List

	Item	Cost(NT1,000)
1	Energy Star/ Environment Product safety/environmental certification fees	144
2	ISO 14001/ OHSAS18000 Environmental Safety Management System Certification Fees and Pollution Source Monitoring Fees	640
	Total	784

Including verification fees, the company's 2017 environmental protection investment exceeded NT$784,000, as shown in the table.

Water resource usage and management

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

• Monitoring and management of cooling water tower
• Monitoring and management of cooling water towers' conductivity
• Installation of water-saving faucets

• Smart irrigation water-saving system
• Monitoring and management of cooling water and chiller systems with smart air-conditioning systems

Waste management and resource recycling

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

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

Greenhouse gas management

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

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

Advantech Taiwan includes our Neihu headquarters, as well as factories in Donghu and Xindian. The Linkou Smart Technology Park officially started its operation in 2014; its construction divided into three phases, and the total area spans

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

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

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

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

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

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

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

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

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

• Replacing high-performance lighting equipment; currently, the Linkou Smart Technology Park and the Sunshine Building both use energy-saving light bulbs, whereas Xindian and Donghu plants are still in the process of replacing their energy-consuming lights. New Advantech buildings all use energy-saving bulbs.

• Use video conferencing instead of on-site meetings whenever possible

• Prioritize the purchase of green-label office equipment and information electronic products

• Maintain the indoor temperature at 25°C

• Encourage employees to develop the habit of switching off the lights as soon as they leave a room

Advantech and caring for nature

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

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

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

Organic Farm

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

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

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

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

5.5 Labor-Employer Relation

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

1.Employee welfare measures:

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

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

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

A、Employee bonus;

B、Labor insurance;

C、National health insurance

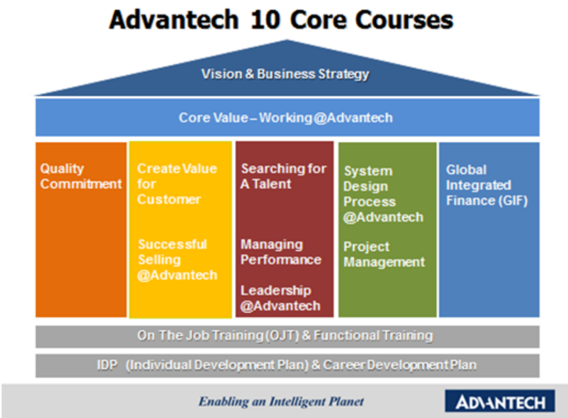
D、Group insurance
E、Annual health check
F、Marriage, funeral, joy, celebration grants
G、Dragon Boat Festival and Mid-Autumn Festival gifts
H、Yearend banquet dinner
I、Domestic tour
J、Overseas tour
K、Magazine subscriptions subsidies
L、Community ac
M、Birthday celebration
N、Departmental function fund
O、Movies
P、Arts and cultural appreciation
Q、Emergency rescue gold

2. Education, training system, and its implementation

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

■ **Advantech 10-Core Program**

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



■ **Case Study**

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

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

■ **e-Learning**

The Advantech e-Learning platform, created for imparting Advantech wisdom, core values and culture, delivering the company’s important news and events, and instructing professional knowledge and skills, allows employees around the world to find out Advantech's business philosophy and its corporate culture through online learning. Meanwhile, they are enabled to

obtain the latest information according their own needs to learn, making learning free of geographical and time constraints, and they can learn simultaneously and communicate with colleagues all over the world; accessing information from all over the world in the exclusive field of knowledge effectively broadens Advantechers’ global perspective and knowledge profile and makes the most of the learning resources to reach the efficiency collaboration, integration & leverage. Listed below are the website contents:

- Advantech Philosophy:

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

- Business Leadership Model：

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

- Professional courses:
  Offer various types of professional knowledge and skills training, expecting our employees will be more proficient at work.
- New employee Orientation:
  Provide a variety of policies and guidelines for the newcomers so that they will know well their work quickly.
- Advantech Scholar:
  It provides the information Advantechers must know, such as the interview articles of Advantech senior level managers, business cases in cooperation with professors, Advantech quarterly and Advantech abbreviation dictionary.
- Advantech Important Events：
  It provides videos and contents of the company's important activities, allowing employees around the world to know about the spirit and the meaning of Advantech important events.

■ **Management LEAP Camp**

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

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

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

- Case Study- Studying the cases of Advantech major issues, the trainees discuss on the enhancement or the improvement of the issues with senior level managers and offer their suggestions to the company, enabling the trainees to take part in the operation.

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

- **Global Elite LEAP Camp**

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

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

- **Study Group**

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

- **Temporary Coverage Assignment Program , TCAP**

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

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

  For example, in 2017, the total amount invested in the education and training of staff was NT$235.53 million with an average of 61.45 hours training for each employee. The colleagues continue to grow as a person and career planning through the training program of the Company.

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

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

Reserve Committee and then deposited in the name of the Committee with the Bank of Taiwan.

(2) New system: The employees who have reported to duty since July 1, 2005 are subject to the new system, as well as the employees who had reported to duty before July 1, 2005 but chose to apply the new system. The Company has an amount equivalent to 6% of the monthly wages and salaries appropriated to the pension account of each employee. Employees may also set aside an amount equivalent to 0%-6% of the monthly wages and salaries discretionally to the pension account and the appropriated amount will be deducted from the monthly paycheck of the respective employee.

4. Agreement between employer and employees:

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

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

5. The protection measures for employee’s benefits:

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

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

5.6 Important Contracts: None

VI. FINANCIAL INFORMATION

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

(I) Condensed Balance Sheet and comprehensive Income Statement

Condensed Balance Sheets

Year / Item		Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2018 (Note 2)
		2017	2016	2015	2014	2013	
Current Assets		23,200,572	21,181,711	18,085,746	17,990,032	15,411,630	23,934,345
Property, plant, and equipment		9,967,332	10,089,836	9,576,879	8,876,606	7,941,679	9,915,571
Intangible assets		1,124,407	1,317,440	227,686	286,312	326,617	1,078,233
Other assets		6,411,458	5,949,966	6,088,822	4,390,870	3,856,158	7,396,014
Total assets		40,703,769	38,538,953	33,979,133	31,543,820	27,536,084	42,324,163
Current Liabilities	Before distribution	11,046,661	11,435,611	9,242,530	7,779,820	7,205,324	11,051,701
	After distribution	(Note 3)	15,423,978	13,033,648	11,567,075	10,223,144	(Note 3)
Noncurrent liabilities		1,896,668	1,716,445	1,282,826	1,230,981	910,570	1,861,447
Total liabilities	Before distribution	12,943,329	13,152,056	10,525,356	9,010,801	8,115,894	12,913,148
	After distribution	(Note 3)	17,140,423	14,316,474	12,798,056	11,133,714	(Note 3)
Shareholder's equity attributable to parent company		27,581,074	25,213,582	23,307,501	22,346,019	19,258,299	29,234,333
Capital stock		6,972,825	6,330,841	6,318,531	6,312,091	5,694,000	6,974,575
Additional paid-in capital		6,554,842	6,058,884	5,587,555	5,306,958	4,995,635	6,668,711
Retained earnings	Before distribution	14,423,062	12,909,061	11,061,291	9,825,337	8,514,157	15,744,679
	After distribution	(Note 3)	8,920,694	7,270,173	6,038,082	5,496,337	(Note 3)
Other equity		(369,655)	(85,204)	340,124	901,633	54,507	(153,632)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		179,3665	173,315	146,276	187,000	161,891	176,682
Total equity	Before distribution	27,760,440	25,386,897	23,453,777	22,533,019	19,420,190	29,411,015
	After distribution	(Note 3)	21,398,530	19,662,659	18,745,764	16,402,370	(Note 3)

Note 1: For the financial data with the IFRS adopted for less than five years, the financial data in Table (II) should be prepared in accordance with the Financial Accounting Standards of the R.O.C. The 2013~2017 financial data were audited by the CPA.

Note 2: The 2018Q1 financial data were reviewed by the CPA.

Note 3: The proposal for the distribution of the 2017 earnings is yet to be resolved in the shareholders' meeting.

Condensed Balance Sheet - Proprietary

Item \ Year		Financial Data within the last 5 years (Note 1) 2017	2016	2015	2014	2013	Financial data up to March 31, 2017
Current assets		12,153,703	10,361,304	7,853,529	9,411,709	7,914,096	
Property, plant, and equipment		6,865,025	6,938,084	6,278,109	5,354,959	4,608,115	
Intangible assets		75,584	78,321	74,049	86,240	90,729	
Other assets		18,385,713	17,179,706	17,059,718	14,626,214	12,697,938	
Total assets		37,480,025	34,557,415	31,265,405	29,479,122	25,310,878	
Current liabilities	Before distribution	8,450,778	8,109,627	6,816,368	6,038,793	5,252,614	
	After distribution	（Note 2）	12,097,994	10,607,486	9,826,048	8,270,434	
Noncurrent liabilities		1,448,173	1,234,206	1,141,536	1,094,310	799,965	
Total liabilities	Before distribution	9,898,951	9,343,833	7,957,904	7,133,103	6,052,579	
	After distribution	（Note 2）	13,332,200	11,749,022	10,920,358	9,070,399	
Capital stock		6,972,825	6,330,841	6,318,531	6,312,091	5,694,000	
Additional paid-in capital		6,554,842	6,058,884	5,587,555	5,306,958	4,995,635	
Retained earnings	Before distribution	14,423,062	12,909,061	11,061,291	9,825,337	8,514,157	
	After distribution	（Note 2）	8,920,694	7,270,173	6,038,082	5,496,337	
Other equity		(369,655)	(85,204)	340,124	901,633	54,507	
Total equity	Before distribution	27,581,074	25,213,582	23,307,501	22,346,019	19,258,299	
	After distribution	（Note 2）	21,225,215	19,516,383	18,558,764	16,240,479	

Note 1: The 2013~2017 financial data were audited by the CPA.
Note 2: The proposal for the distribution of the 2017 earnings is yet to be resolved in the shareholders' meeting.

Condensed Income Statement

Year / Item	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2018 (Note 2)
	2017	2016	2015	2014	2032	
Operating income	44,374,751	42,002,198	38,000,582	35,731,699	30,660,034	11,355,195
Gross Profit	17,380,958	17,117,549	15,344,990	14,392,664	12,585,631	4,338,231
Operating profit or loss	6,778,477	6,631,493	5,928,507	5,508,324	4,668,150	1,642,593
Non-Operating income and expense	755,066	465,872	361,028	546,621	500,396	98,899
Net income before tax	7,533,543	7,097,365	6,289,535	6,054,945	5,168,546	1,741,492
Net income of continuing operations	6,149,289	5,688,954	5,126,975	4,931,876	4,127,209	373,554
Net income	6,149,289	5,688,954	5,126,975	4,931,876	4,127,209	1,367,938
Other comprehensive profit and loss (net)	(307,450)	(465,097)	(598,879)	840,142	(14,730)	163,908
Total current comprehensive profit and loss	5,841,839	5,223,857	4,528,096	5,772,018	4,112,479	1,531,846
Net income attributable to parent company's shareholders	6,156,516	5,666,862	5,104,346	4,907,648	4,106,397	1,362,670
Net income attributable to non-controlling equity	(7,227)	22,092	22,629	24,228	20,812	5,268
Total comprehensive profit and loss attributable to parent company's shareholders	5,850,991	5,217,251	4,524,603	5,750,571	4,087,236	1,537,640
Total comprehensive profit and loss attributable to non-controlling equity	(9,152)	6,606	3,493	21,447	25,243	(5,794)
Earnings per share	8.84	8.96	8.08	7.80	6.59	1.95

Note 1: For the financial data with the IFRS adopted for less than five years, the financial data in Table (II) should be prepared in accordance with the Financial Accounting Standards of the R.O.C. The 2012~2016 financial data were audited by the CPA.

Note 2: The 2017Q1 financial data were reviewed by the CPA.

Condensed Income Statement - Proprietary

Item \ Year	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2018
	2017	2016	2015	2014	2013	
Operating income	30,900,577	30,501,099	28,995,652	26,297,138	22,017,597	
Gross profit	9,380,105	8,896,852	8,237,078	7,029,911	6,037,706	
Operating profit or loss	4,845,682	4,777,417	4,181,323	3,315,662	2,829,684	
Non-Operating income and expense	2,298,307	1,866,279	1,691,178	2,333,849	1,992,814	
Net income before tax	7,143,989	6,643,696	5,872,501	5,649,511	4,822,498	
Net income	6,156,516	5,666,862	5,104,346	4,907,648	4,106,397	
Other comprehensive profit and loss (net)	(305,525)	(449,611)	(579,743)	842,923	(19,161)	
Total current comprehensive profit and loss	5,850,991	5,217,251	4,524,603	5,750,571	4,087,236	
Earnings per share	8.84	8.96	8.08	7.80	6.59	

Note 1: The 2013~2017 financial data were audited by the CPA.

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

Year	Name of CPA Firm	Name of CPAs (Certified Public Accountant)	Auditor's opinions
2017	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Jr Shian Ke	Modified Unqualified opinion
2016	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Chin Hsiang Chen	Modified Unqualified opinion
2015	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Chin Hsiang Chen	Modified Unqualified opinion
2014	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Chin Hsiang Chen	Modified Unqualified opinion
2013	Deloitte & Touche	CPA Jr Shian Ke / CPA Chin Hsiang Chen	Modified Unqualified opinion

6.2 Financial Analysis within the last 5 years

(I) Financial Analysis - consolidated

Analysis item (Note 3)	Year (Note 1)	2017	2016	2015	2014	2012	As of March 31, 2018 (Note 2)
Finance structure (%)	Debt to assets ratio	31.80	34.13	30.98	28.55	29.47	30.51
	Long term funds to property, plant, and equipment ratio	297.54	268.62	258.3	266.88	254.37	315.39
Solvency(%)	Current ratio (%)	210.02	185.23	195.68	229.06	210.11	216.57
	Quick ratio (%)	149.48	132.00	138.06	161.64	150.66	150.94
	Interest coverage ratio	62,273.33	61,517.14	62,738.53	42,091.03	45,430.17	142,611.62
Operating ability	Receivables turnover (times)	5.83	6.09	6.16	6.34	6.31	5.80
	Accounts receivable collecting days	62.60	59.93	59.25	57.57	57.84	62.93
	Inventory turnover (times)	4.56	4.76	4.70	4.39	4.56	4.30
	Payables turnover (times)	5.26	6.06	7.09	6.67	6.78	5.27
	Average inventory turnover on sales	80.04	76.68	77.65	83.14	80.04	84.88
	Property, plant, and property turnover (times)	4.42	4.27	4.12	4.25	4.28	4.57
	Total asset turnover (times)	1.12	1.16	1.16	1.21	1.19	1.09
Profitability	Return on assets (%)	15.55	15.72	15.67	20.54	16.02	13.19
	Return on equity (%)	23.14	23.30	22.30	23.51	22.22	19.14
	Ratio of net income before tax to paid-in capital (%) (Note 7)	108.04	112.11	93.83	87.27	91.17	99.88
	Profit margin (%)	13.86	13.54	13.49	13.80	13.46	12.05
	Earnings Per Share (NT$)	8.84	8.96	8.08	7.80	6.59	1.95
Cash flow	Cash flow ratio (%)	27.26	70.08	63.88	62.53	68.98	3.07
	Cash Flow Adequacy Ratio (%)	91.61	103.81	93.25	89.33	95.40	91.61
	Cash Flow Re-investment Ratio (%)	(3.49)	17.16	9.36	8.31	11.93	1.17
Leverage	Operating leverage	3.11	3.32	1.34	3.70	3.58	2.56
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

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

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

3. Operating Performance Analysis

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

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

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

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

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

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

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

4. Profitability Analysis

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

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

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

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

(5) Net Margin = Net Income / Net Sales

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

5. Cash Flow

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

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

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

6. Leverage

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

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

Financial Analysis - Proprietary

Analysis item (Year)		2017	2016	2015	2014	2013	
		Financial analysis within the last 5 years					
Finance structure (%)	Debt to assets ratio	26.41	27.04	25.45	24.18	23.91	
	Long term funds to property, plant, and equipment ratio	422.86	381.20	389.43	437.73	434.69	
Solvency (%)	Current ratio (%)	143.82	127.77	115.22	155.85	149.89	
	Quick ratio (%)	111.85	103.42	89.78	131.44	123.13	
	Interest coverage ratio	-	159,689.14	-	1,342,064.85	174,323.19	
Operating ability	Receivables turnover (times)	5.27	5.71	5.67	5.82	5.76	
	Accounts receivable collecting days	69.25	63.92	64.37	62.7	63.37	
	Inventory turnover (times)	9.38	11.97	13.49	13.42	11.89	
	Payables turnover (times)	4.92	5.58	6.11	6.57	6.97	
	Average inventory turnover on sales	38.91	30.49	27.05	27.2	30.7	
	Property, plant, and property turnover (times)	4.48	4.62	4.99	5.28	5.13	
	Total asset turnover (times)	0.86	0.93	0.95	0.96	0.93	
Profitability	Return on assets (%)	17.09	17.23	16.81	17.92	17.29	
	Return on equity (%)	23.32	23.36	22.36	23.59	22.27	
	Ratio of net income before tax to paid-in capital (%) (Note 7)	102.45	104.94	92.94	89.51	85.06	
	Profit margin (%)	19.92	18.58	17.6	18.66	18.65	
	Earnings Per Share (NT$)	8.84	8.96	8.08	7.80	6.59	
Cash flow	Cash flow ratio (%)	39.96	64.88	67.97	61.81	82.13	
	Cash Flow Adequacy Ratio (%)	77.43	81.29	76.46	79.82	82.67	
	Cash Flow Re-investment Ratio (%)	(2.10)	5.62	3.84	3.22	8.18	
Leverage	Operating leverage	3.89	4.10	2.29	5.31	5.10	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

*Glossary

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

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

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

3. Operating Performance Analysis

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

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

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

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

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

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

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

4. Profitability Analysis

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

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

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

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

(5) Net Margin = Net Income / Net Sales

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

5. Cash Flow

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

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

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

6. Leverage

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

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

6.3 Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Audit Committee has adopted the Company's 2017 Financial Statements resolved by the Board of Directors. Deloitte & Touche was retained by the Board of Directors to audit the Company's Financial Statements. Deloitte & Touche has completed the audit procedures and issued the audit report.

The Company's 2017 Business Report and proposal for distribution of earnings submitted by the Board of Directors have also been reviewed by the Audit Committee and determined to be in conformity with the Company Act and related regulations. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, this report is hereby prepared.

Advantech Co., Ltd. 2018 Shareholders' Meeting

Convener : Benson Liu

March 02, 2018

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

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

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

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

7.1 Financial Conditions:

Unit: NT$ Thousand

Item \ Year	2017	2016	Difference	
			Amount	%
Current assets	23,200,572	21,181,711	2,018,861	10
Property, plant, and equipment	9,967,332	10,089,836	(122,504)	(1)
Intangible assets	1,124,407	1,317,440	(193,033)	(15)
Other assets	6,411,458	5,949,966	461,492	8
Total assets	40,703,769	38,538,953	2,164,816	6
Current liabilities	11,046,661	11,435,611	(388,950)	(3)
Noncurrent liabilities	1,896,668	1,716,445	180,223	10
Total liabilities	12,943,329	13,152,056	(208,727)	(2)
Capital stock	6,972,825	6,330,841	641,984	10
Additional paid-in capital	6,554,842	6,058,884	495,958	8
Retained earnings	14,423,062	12,909,061	1,514,001	12
Other equity	(369,655)	(85,204)	(284,451)	334
Non-controlling equity	179,366	173,315	6,051	3
Total equity	27,760,440	25,386,897	2,373,543	9

7.2 Analysis of Financial Status

Unit: NT$ Thousand

Item \ Year	2017	2016	Increased or decreased amount	Ratio change (%)
Operating income	44,374,751	42,002,198	2,372,553	6
Operating cost	26,993,793	24,884,649	2,109,144	8
Gross profit	17,380,958	17,117,549	263,409	2
Operating expense	10,602,481	10,486,056	116,425	1
Operating profit	6,778,477	6,631,493	146,984	2
Non-operating income and expense	755,066	465,872	289,194	62
Net income before tax	7,533,543	7,097,365	436,178	6
Income tax expense	1,384,254	1,408,411	(24,157)	(2)
Net income	6,149,289	5,688,954	460,335	8
Annual other comprehensive profit and loss (Net)	(307,450)	(465,097)	157,647	(34)
Annual total comprehensive net income	5,841,839	5,223,857	617,982	12
Net income attributable to the shareholder's equity of the parent company	6,156,516	5,666,862	489,654	9
Total comprehensive profit and loss attributable to the shareholder's equity of the parent company	5,850,991	5,217,251	633,740	12

7.3 Cash Flow

7.3.1 Liquidity Analysis within the last 2 years

Cash balance – beginning	Estimated annual net cash flow from operating activities	Estimated annual cash outflow	Cash balance (deficit) -	Contingency plans for insufficient cash	
				Investment plan	Financial Plan
4,637,577	3,011,289	(2,444,647)	5,204,219	--	--

7.3.2 Cash liquidity analysis for next year

Cash balance – beginning	Estimated annual net cash flow from operating activities	Estimated annual cash outflow	Cash balance (deficit) -	Contingency plans for insufficient cash	
				Investment plan	Financial Plan
5,204,219	3,989,290	(4,906,478)	4,287,031	--	--

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

Project	Actual or intended financing	Actual or intended completion date	Total funds needed	Actual or intended use of funds		
				105	106	107
Plant purchase (construction) –Linkou Campus Phase 1*	Equity fund	103.03.31	1,254,834	4,296	-	-
Plant purchase (construction) - Linkou Campus Phase 2	Equity fund	105.12.31	1,845,489	829,877	-	90,039
Overseas reinvestment – Advanixs Kun Shan Corporation.	Equity fund	105.Q2	480,000	424,601	-	-

* Linkou Campus Phase 1 was a decision made by the Board of Directors in 2000, and the funds had been invested in the construction.

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

(II) Overseas reinvestment (B+B): The company's intention was to become the leading brand of Industrial Connectivity products and to expand the market of Industrial Connectivity to full scale.

Overseas reinvestment (Advanixs Kun Shan Corporation.): The acquisition will be integrated into the planning for the future production line configuration, the establishment of the machinery plant, and Advantech Group's development in China.

Overseas reinvestment (Kostec): The combination of Kostec's medical display expertise and its great business exposure in South Korean, Southeast Asian, and North American markets, together with Advantech's global brand and comprehensive sales, marketing, and services network in Europe, Greater China, the Middle East, and Australia, will enable Advantech to grow and develop even faster in the smart medical field.

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

Advantech adopts reinvestment of equity method with all focusing on long-term strategic purposes; in 2017, the profits of Advantech reinvestment of equity method reached NT$ 218,651, with an increase of NT$ 153,089 compared to the previous year, which resulted from the recognition of Axiomtek Co., Ltd.and Winmate Inc.. In the future, Advantech will hold the principle of long-term strategic investment and continue assessing carefully reinvestment plans.

a. Domestic reinvestment (AI Mobile Co.)；On March 22, 2016, the Board of Directors made the decision to sign the strategic alliance agreement with Inventec Corp, therefore founded a joint venture, "AI Mobile Co." Established with cash, the new company has paid-in capital of NT$1 billion. Inventec owns a 55 percent share of the firm and Advantech 45 percent. The company is to develop, produce, and sell industrial wireless handheld devices, the applications of which include retail, automotive, medical and other vertical markets.

b. On March 30, 2018, the Board of Directors made the decision to agree to acquire 19% of Nippon RAD shares.

Through this strategic alliance, Advantech and Nippon RAD officially form the "Co-Creation" model between platform provider and systemintegrator, aiming to further expand the business scope in IndustrialIoT and Machine to Intelligence sectors in Japan.

c. On March 20, 2018, the Board of Directors made the decision to agree that Advantech Corporate Investment acquire common stocks of AzureWave Technologies,Inc. Through this strategic alliance,the wifi modules market will be adopted to construct the industrial IoT (IIoT) ecosystem and strengthen the influence of vertical domains.

7.6 Risk analysis and evaluation

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

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

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

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

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

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

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

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

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

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

1. Future R&D plans:

As an enabler of intelligent planet, Advantech is dedicated to building an industrial platform for accelerating IoT in practices. Our key R&D items in 2017 will be described as follows:

a. Invest resources in IoT Gateway to support a wide coverage of industrial protocols for collecting data from all kind od automation equipments.

b. Continuously invest to develop the WISE-PaaS platform, including visualization tools, analytics framework and so on.

c. Realize AI platform which is integrated with training server, inference engine, GPU,frame grabber and deep learning models which is collaborated with third party software partners.

d. Build up rich Solution Ready Platforms (SRP's) for domain-focused applications, like smart manufacturing, retail, hospital,digital logistics and environmental conservation.

2. The projected R&D investment: 10% of the annual turnover.

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

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

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

Compared to mass production in personal computers and smartphones, the fragmentation has become one of the challenges in adopting IoT technologies and applications on a commercial scale. The IoT drives the value chain increasingly toward systems software and services.

In order to quick response to the paradigm shift in IoT era, Advantech establishs an internal department called called IoT.SENSE(IoT Solutions Enabling Services) to focus on developing the company's co-creation model and to develop solution-ready platform (SRP's) to drive growth. IoT.SENSE is comprise of four key functions decribed as below.

a. IoT.SENSE/Knowledge Sharing – widely spread IoT knowledge via series of traning programs and technology forums.

b. IoT.SENSE/Consulting Services – establish the capabilities to tailor the IoT solutions for enabling customers'digital transformation.

c. IoT.SENSE/Solution Co-creation – focus on co-creation with eco-partners, including solution co-development and SI incubation.

d. IoT.SENSE/Software Enabling –integrate third party softwares aggressively and build up a complete IoT software services as the trustable platform to accelerate IoT applications.

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

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

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

1. On November 16, 2015, the Board of Directors made the decision to acquire B+B SmartWorx Inc. with Advantech's subsidiary company, Advantech Corp., for US$99.85 million, possessing 100 % stake of B+B SmartWorx Inc. This acquisition aimed to make Advantech the leading brand of Industrial Connectivity, and Advantech will expand its Industrial Connectivity product portfolio and increase its global market share by leveraging B+B SmartWorx. The Industrial Connectivity products of B+B SmartWorx will complement those of Advantech since they enjoy brand awareness and sales channels in the US, Europe and the Middle East. In the future, advantages of both sides will be integrated to complement each other in the hope of making a full expansion in the Industrial Connectivity market.
2. On March 4, 2016, the Board of Directors made the decision to agree that HK Advantech Technology Co. Limited acquired Yeh-Chiang Kunshan Technology Corp. with less than 93.5 million yuan and its 100 % stake. The purpose of this

acquisition is considering the production line of painting, the fact that Chinese government has tightened the control over environmental protection, fire protection, and security, the future establishment of Type C machinery plant, and the space reserved for the future development in China.

3. Advantech and Advantech KR Co., Ltd. announced it will acquire a 60% stake in South Korea's medical display company Kostec. The combination of Kostec's medical display expertise and its great business exposure in South Korean, Southeast Asian, and North American markets, together with Advantech's global brand and comprehensive sales, marketing, and services network in Europe, Greater China, the Middle East, and Australia, will enable Advantech to grow and develop even faster in the smart medical field.
4. On March 30, 2018, the Board of Directors made the decision to agree that Advantech Automation Corp.(BVI) to make capital injection to Advantech Service IoT Holding Ltd.
   The embedded systems/hardware from Phase I IoT development as well as IoT solutions platforms from Phase II are Advantech's "double-growth engine" in IIoT development. Following this, two key strategies have been proposed: 1) implement an IIoT sector-lead organizational development model, expand industry management, and optimize regional resource allocations; 2) set successful examples in the Greater China Region to accelerate the marketing of hardware/software and imaging solutions.Advantech will continue to actively promote platform management during Phase II IoT development, SRP co-creation, and the co-created digital transformation of vertical industry cloud services during Phase III through the co-creation model
5. The above acquisitions were all carefully assessed by the Board, the possible risks of which may include the overall recession in the market and the demand falling short of expectations. In response to the risks, Advantech reduces costs by actively developing the innovative product technology and makes every effort to secure market share to maintain the stability of the company's revenue growth rate.
6. Lately and as of the date of printing the annual report, apart from the above matters, Advantech and its subsidiaries has had no other acquisition plans.

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

To fulfill business growth and keep the self-manufacturing strategy, we had built one new SMT line in Kunshan last year and will build two new SMT line in Kunshan and Linkou this year separately, we also will invest many iFactory solutions.

The new plant of Chassis factory will start to operate that increase mechanical productive capacity next year. In conclusion, our planning with the area/factory can fulfill the growth for at least ten years, and the investment of equipment will be according with products and business requirement, to ensure the balancing of business fulfillment and capacity stability.

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

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

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

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

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

(XIII) Other important risks and countermeasures: None

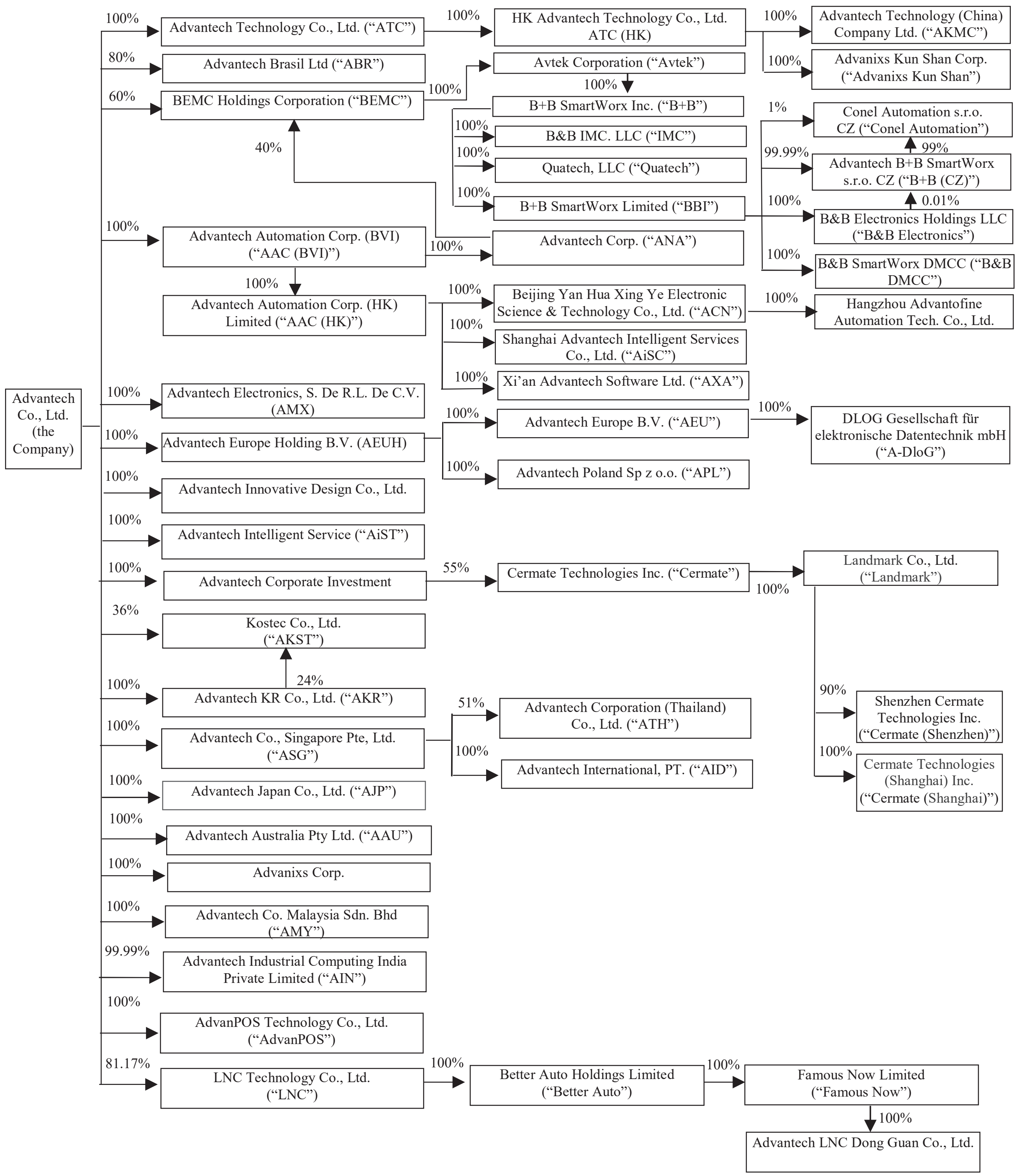
VII. Other Important matters: None

VIII. Special Disclosure

8. Affiliated company's information

8.1 Affiliated company's Consolidated Business Report

Organization Chart of the Affiliated Companies



8.1.2 Basic information of affiliated companies

Unit: NT$ Thousand

No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items
01	Advanixs Corporation.	Jan. 2006	Taipei	NTD360,000	Manufacturing, marketing, and trade of industrial use PC
02	Advantech Corporate Investment	Feb. 2000	Taipei	NTD1,500,000	Investment in marketable securities
03	Advantech Co. Singapore Pte, Ltd. (ASG)	Dec. 1995	Techplace, Singapore	SGD1,450	Marketing and trade of industrial use PC
04	Advantech Japan Co.,Ltd. (AJP)	Sep. 1997	Tokyo, Japan	JPY60,000	Marketing and trade of industrial use PC
05	Advantech Australia Pty Ltd. (AAU)	Dec. 1994	Sydney, Australia	AUD500	Marketing and trade of industrial use PC
06	Advantech Co. Malaysia Sdn. Bhd (AMY)	Mar. 2006	Malaysia	MYR2,000	Marketing and trade of industrial use PC
07	Advantech Europe Holding B.V. (AEUH)	Dec. 1995	Helmond, The Netherlands	EUR25,961	Overseas investment of manufacturing and service industry
08	Advantech Technology Co., Ltd. (ATC)	Sep. 1998	British Virgin Islands	USD33,850	Marketing and trade of industrial use PC
09	Advantech Automation Corp.(AAC（BVI）)	Mar. 2000	British Virgin Islands	USD29,623	Overseas investment of manufacturing and service industry
10	Advantech Europe B.V.(AEU)	Jun. 1998	Helmond,The Netherlands	EUR32,315	Marketing and trade of industrial use PC
11	Advantech Poland Sp. z.o.o(APL)	Jan. 2006	Warsaw, Poland	PLZ1,000	Marketing and trade of industrial use PC
12	Advantech Technology (China) Company., Ltd. (AKMC)	Jan. 2006	Jiangsu Province	USD43,750	Marketing and trade of industrial use PC
13	Advantech Corporation. (ANA)	Aug. 1987	Sunnyvale, USA	USD11,139	Assembly, marketing, and trade of industrial use PC
14	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd. (ACN)	Apr. 1994	Beijing City	USD4,230	Marketing and trade of industrial use PC
15	Advantech Technology (HK) Co., Limited(ATC HK)	Apr. 2008	Hong Kong	USD57,891	Overseas investment of manufacturing and service industry
16	Advantech Automation Corp.(HK) Limited (AAC HK)	Dec. 2007	Hong Kong	USD15,230	Overseas investment of manufacturing and service industry
17	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sep. 2008	Shanghai City	USD8,000	Marketing and trade of industrial use PC
18	Xi'An Advantech Software Co., Ltd. (AXA)	Sep. 2008	Xi'an	USD1,000	Marketing and trade of industrial use PC
19	Advantech Brazil S/A (ABR)	Apr. 2000	Sao Paulo, Brazil	BRL4,444	Marketing and trade of industrial use PC
20	Advantech Intelligent Service.	Dec. 2009	Taipei City	NTD100,000	Marketing and trade of industrial use PC
21	Advantech KR Co., Ltd.	Feb. 2009	Seoul Korea	KRW300,000	Marketing and trade of industrial use PC
22	DLOG Gesellschaft für elektronische Datentechnik mbH (A-DLoG)	Oct. 1984	Munich, Germany	EUR512	The industrial on-board computer product design, R&D, sales, and trading

No.	Name	Establishing date	Address	Paid-in capital	Main Business or Production Items
23	Cermate Technology Inc.	Mar. 2003	Taipei City	NTD100,000	Electronic Components Manufacturing Industry
24	Advantech Corporation (Thailand) Co., Ltd.	Aug. 2004	Thailand	THB10,000	The production and manufacturing of computer products
25	LandMark Co., Ltd.	May. 2007	Samoa	USD977	Investment company
26	Cermate Technologies (Shanghai) Inc.	Aug. 2007	Shanghai City	RMB3,903	Networking Electronic Equipment for industrial use
27	Shenzhen Cermate Technologies Inc.	Nov. 2003	Shenzhen City	RMB2,000	The production of LCD touch screen, USB data cable, and industrial use PC
28	PT. Advantech International (AID)	Mar.2012	Indonesia	USD300	Marketing and trade of industrial use PC
29	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Dec. 2012	India	INR40,000	Marketing and trade of industrial use PC
30	Advantech Electronics, S.De R.L.De C. (AMX)	Dec. 2012	Mexico	MXN2,057	Marketing and trade of industrial use PC
31	AdvanPOS Technology Co., Ltd..	Oct. 2005	New Taipei City	NT10,000	Manufacturing and trading of endpoint sales system
32	LNC Technology Co.,Ltd.	Aug. 2007	Taichung City	NT300,000	manufacturing and trading of controllers
33	Better Auto Holdings Limited	Sep. 2007	British Virgin Islands	USD7,900	Investment company
34	Famous Now Limited	--	British Virgin Islands	USD4,000	Investment company
35	Dongguan Pou Yuen Digital Technology Co.,Ltd. Co., Ltd.	Sep. 2009	Dongguan City	USD4,000	The manufacturing and trading of controllers
36	Advantech Innovative Design Co., Ltd.	May.2015	Taipei City	NT10,000	product design
37	ADVANIXS KUN SHAN CORPORATION	Jun,2004	Jiangsu Province	RMB99,515	Manufacturing, marketing, and trade of industrial use PC
38	BEMC Holdings Corportation (BEMC)	1981	Delware,USA	10	Industrial network communication
39	Avtek Corporation. (Avtek)	1981	Delware,USA	-	Industrial network communication
40	B+B SmartWorx Inc.(B+B)	1981	Delware,USA	-	Industrial network communication
41	B+B SmartWorx Limited(BBI)	1981	Ireland	USD384,111	Industrial network communication
42	B&B IMC, LLC.(IMC)	1981	Delware,USA	-	Industrial network communication
43	Quatech,LLC.(Quatech)	1981	Delware,USA	-	Industrial network communication
44	B&B Electronics Holdings LLC.(B&B Electronics)	1981	Delware,USA	-	Industrial network communication
45	Advantech B+B SmartWorx s.r.o.CZ(B+B(CZ))	1981	Czech Republic	-	Automatic control manufacturing
46	Conel Automation s.r.o. (Conel Automation)	1981	Czech Republic	-	Industrial network communication
47	B&B SmartWorx DMCC. (B&B DMCC)	1981	Dubi	-	Industrial network communication

No.	Name	Establishing date	Address	Paid-in capital	Main Business or Production Items
48	Kostec co.,Ltd. (AKST)	July,2003	Korea	KRW458,815	smart medical equipment manufacturing

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

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

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

No.	Company Name	Title	Name or representative	Shareholding: Shares or investment amount (NT$ housand)	Shareholding: Shareholding or investment ratio (%)
01	Advanixs Corporation.	Director	Representatives of Advantech: K.C. Liu , MingChin Wu, Eric Chen	36,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
02	Advantech Corporate Investment .	Director	Representatives of Advantech: K.C. Liu, Mary Chang, Eric Chen	150,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
03	Advantech Co. Singapore Pte, Ltd. (ASG)	Director	Representatives of Advantech: K.C. Liu, David Soon	1,450,000 shares	100
04	Advantech Japan Co., Ltd. (AJP)	Director	Representatives of Advantech: K.C. Liu, Eric Chen	1,200 shares	100
		Supervisor	Representatives of Advantech: Mary Chang		
		President	Chaney Ho		
05	Advantech Australia Pty Ltd. (AAU)	Director	Representatives of Advantech: David Soon, Santo Gazzo	500,204 shares	100
06	Advantech Co. Malaysia Sdn. Bhd (AMY)	Director	Representatives of Advantech: K.C. Liu, David Soon, Chaney Ho, Ng Hock Chuan, Choong Beng Chou	2,000,000 shares	100
07	Advantech Europe Holding B.V. (AEUH)	Director	Representatives of Advantech: K.C. Liu	25,961,250 shares	100
08	Advantech Technology Co., Ltd. (ATC)	Director	Representatives of Advantech: K.C. Liu	33,850,000 shares	100
09	Advantech Automation Corp.(AAC BVI)	Director	Representatives of Advantech: K.C. Liu	29,623,834 shares	100
10	Advantech Europe B.V.(AEU)	Director	Representatives of Advantech Europe Holding B.V.: K.C. Liu	32,315,215 shares	100
11	Advantech Poland Sp. z.o.o(APL)	Director	Representative of Advantech Europe Holding B.V.: Jeff Shy	6,350 shares	100
12	Advantech Technology (China) Company., Ltd. (AKMC)	Director	Representative of Advantech Europe Holding B.V.: K.C. Liu, Shun-Long Chen, Chaney Ho	USD43,750 shares	100
13	Advantech Corporation (ANA)	Director	Representative of Advantech Automation Corp.: K.C. Liu	10,952,606 shares	100
14	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd (ACN)	Director	Representative of Advantech Automation Corp.: K.C. Liu, Chaney Ho, Shih-Yang Tsai	USD4,230	100
15	HK Advantech Technology Co., Limited (ATC HK)	Director	Representatives of Advantech: K.C. Liu	57,890,679 shares	100
16	Advantech Automation Corp.(HK) Limited. (AAC HK)	Director	Representative of Advantech Automation Corp.: K.C. Liu	15,230,001 shares	100
17	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Director	Representative of Advantech Automation Corp.(HK): K.C. Liu	USD8,000	100
		Supervisor	Eric Chen		
		President	Chaney Ho		

No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount (NT$ housand)	Shareholding or investment ratio (%)
18	Xi'An Advantech Software Co., Ltd.(AXA)	Director	Representative of Advantech Automation Corp.(HK): K.C. Liu	USD1,000	100
		Supervisor	Chaney Ho		
19	Advantech Brazil Ltda. (ABR)	Director	Advantech Co., Ltd. Representative:Mario Franco Neto	1,794,996 shares	80
20	Advantech Intelligent Service. (AiST)	Director	Representatives of Advantech: K.C. Liu, MingChin Wu, Eric Chen	10,000,000 shares	100
		Supervisor	Jessica Tsai		
21	Advantech KR Co., Ltd.	Director	Representatives of Advantech: K.C. Liu, Chaney Ho, YJ Choi	600,000 shares	100
		Supervisor	Representatives of Advantech: Eric Chen		
22	DLOG Gesellschaft für elektronische Datentechnik mbH (A-DLoG)	President	K.C. Liu	1 share	100
23	Cermate Technology Inc..	Director	Representatives of Advantech Corporate Investment.: Jonney Chang,Allan Tsai, Tony Liu Representative of Wen Xin International Investment Company: Sunny.Lee, Chris Chiang	5,500,000 shares	55
		Supervisor	Yuzhen Liu		
24	Advantech Corporation (Thailand) Co., Ltd.	Director	Representative of Advantech Co. Singapore Pte, Ltd.: KC. Liu, David Soon	51,000 shares	100
25	LandMark Co., Ltd.	Director	Yuling Liu	972,284 shares	100
26	Cermate Technologies (Shanghai) Inc.	Director	Sunny.Lee	RMB3,903	100
		Supervisor	Jun Shi		
27	Shenzhen Cermate Technologies Inc.	Director	Sunny.Lee	RMB2,000	90
		Supervisor	Chris Chiang		
28	PT. Advantech International (AID)	Director	Representative of Advantech Co. Singapore Pte, Ltd. (ASG): K.C. Liu	300,000 shares	100
29	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Director	Representative of Advantech: K.C. Liu, Chaney Ho	3,999,999 shares	99.99
30	Advantech Electronics, S.De R.L.De C. (AMX)	Director	Representative of Advantech Corporation.(ANA): K.C. Liu	MNX2,057	100
31	AdvanPOS Technology Co., Ltd.	Director	Representative of Advantech: K.C. Liu, Mary Chang, Eric Chen	1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
32	LNC Technology Co., Ltd	Director	Representative of Advantech: K.C. Liu, Allan Tsai, Michael Kuo	24,350,000 shares	81.17
		Supervisor	Representatives of Advantech: Jessica Tsai		

No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount (NT$ Thousand)	Shareholding or investment ratio (%)
33	Better Auto Holdings Limited	Director	Representative of Advantech LNC Technology Co., Ltd.: K.C. Liu	USD7,900	100
34	Famous Now Limited	Director	Representative of Better Auto Holdings Limited: K.C. Liu	USD4,000	100
35	Dongguan Pou Yuen Digital Technology Co.,Ltd.	Director	Representative of Famous Now Limited: K.C. Liu, Allan Tsai, Michael Kuo	USD4,000	100
36	Advantech Innovative Design Co., Ltd.	Director	Representatives of Advantech: Chaney Ho,Deryu Yin,EricChe	1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
37	ADVANIXS KUN SHAN CORPORATION	Director	HK Advantech Technology Co., Limited.. Representative: K.C.Liu, MingChin Wu,Shunlang Chen.	RMB99,515	100
38	BEMC Holdings Corportation (BEMC)	Director	Advantech Co.,Ltd. Representative: K.C.Liu	10 shares	100
39	Avtek Corporation. (Avtek)	Director	Advantech Co.,Ltd. Representative: K.C.Liu	-	100
40	B+B SmartWorx Inc.(B+B)	Director	Advantech Co.,Ltd. Representative: K.C.Liu	USD384,111	100
41	Kostec,co.,Ltd. (AKST)	Director	Representatives of Advantech: K.C. Liu, MingChin Wu, Frank Hung	55,057	60

8.1.6 Affiliated company's Operating Results

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

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT$ (after tax)
01	Advanixs Corporation.	360,000	1,045,367	197,598	847,769	3,864,457	356,435	296,431	8.23
02	Advantech Corporate Investment .	1,500,000	1,922,450	21,360	1,901,089	10,709	(994)	289,822	1.93
03	Hangzhou Advantofine Automation Tech Co.,Ltd.	22,970	14,658	-	14,658	4,236	120	(125)	-
04	Advantech Co. Singapore Pte, Ltd. (ASG)	33,800	190,020	95,584	94,436	444,955	7,153	14,531	10.02
05	Advantech Japan Co., Ltd. (AJP)	21,480	510,416	234,776	275,640	1,160,599	83,063	57,366	47,805
06	Advantech Australia Pty Ltd. (AAU)	14,846	117,168	66,560	50,518	369,165	7,161	9,163	18.32
07	Advantech Co., Malaysia Sdn.Bhd (AMY)	18,138	103,462	37,718	65,744	273,154	37,257	29,340	14.67
08	Advantech Europe Holding B.V. (AEUH)	338,906	1,029,253	2,396	1,026,857	-	(638)	36,775	1.41
09	Advantech Technology Co., Ltd. (ATC)	1,009,108	3,559,536	13,014	3,546,522	-	(52,966)	334,407	9.88
10	Advantech Automation Corp. (AAC(BVI))	896,862	4,455,760	5,967	4,439,793	-	(216)	470,086	15.87
11	Advantech Europe B.V. (AEU)	1,138,092	2,886,280	1,935,591	950,689	6,389,663	135,116	(33,149)	0.72
12	Advantech Poland Sp z.o.o(APL)	10,145	37,150	10,130	27,020	92,421	6,772	3,220	507.05
13	Advantech Technology (China) Company., Ltd. AKMC	1,475,414	5,189,959	2,190,722	2,999,237	11,189,395	352,450	325,934	-
14	Advantech Corporation (ANA)	337,232	4,467,903	2,052,702	2,424,201	10,790,755	394,210	300,055	27.40
15	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd.	164,856	2,984,688	1,714,472	1,270,216	9,580,457	183,550	156,780	-
16	Advantech Technology(HK) Co., Limited.(ATC HK)	1,790,224	3,500,338	-	3,500,338	-	-	387,373	6.69
17	Advantech Automation Corp.(HK) Limited (AAC HK)	461,088	2,038,010	12,880	2,025,130	24,121	1,445	170,254	11.18
18	Shanghai Advantech Intelligent Services Co., Ltd. AiSC	252,065	837,698	136,091	701,607	517,818	(23,056)	(10,721)	-
19	Xi'An Advantech Software Co., Ltd. (AXA)	31,589	30,871	63	30,808	40,563	22,821	22,831	-
20	Advantech Brazil S/A (ABR)	69,934	116,398	34,892	81,506	241,727	(2,740)	9,547	4.26
21	Advantech Intelligent Service. (AiST)	100,000	102,010	6,897	95,113	27,705	9,786	9,938	0.99
22	Advantech KR Co., Ltd. （AKR）	7,800	555,825	223,218	332,607	1,809,750	122,029	42,501	70.83

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT$ (after tax)
23	DLOG Gesellschaft für elektronische Datentechnik mbH (A-DLoG)	20,060	468,227	201,282	266,945	1,222,336	(35,983)	(34,148)	-
24	Cermate Technology Inc.	100,000	218,550	57,138	161,413	236,212	14,361	25,821	2.58
25	Advantech Corporation（Thailand）Co., Ltd.（ATH）	9,557	58,099	15,024	43,075	110,398	6,759	5,819	58.19
26	Land Mark	27,057	95,229	-	95,229	-	-	19,868	20.43
27	Cermate Technologies (Shanghai) Inc.	18,760	25,346	2,145	23,201	40,166	2,707	2,534	-
28	Shenzhen Cermate Technologies Inc.	9,320	86,701	8,854	77,847	230,619	25,654	19,260	-
29	PT. ADVANTECH INTERNATIONAL (AID)	5,465	16,583	11,577	5,006	33,945	(1,185)	2,603	8.68
30	ADVANTECH INDUSTRIAL COMPUTING INDIA (AIN)	19,754	35,219	22,568	12,651	72,844	(13,484)	(3,848)	(0.96)
31	Advantech Electronics, S. De R. L. De C. (AMX)	2,047	680	1,078	(398)	5,058	(1,035)	(1,035)	-
32	AdvanPOS Technology Co., Ltd.	204,380	348,609	10,295	338,314	1,347,213	78,445	61,335	3
33	LNC Technology Co., Ltd.	300,000	427,318	100,569	326,749	388,633	18,076	10,297	0.34
34	Better Auto Holdings Limited.(Better Auto)	244,615	56,701	-	56,701	-	(82)	(7,704)	-
35	Famous Now Limited. (Famous Now)	123,630	146,011	158	145,853	-	-	-	-
36	Dongguan Pou Yuen Digital Technology Co.,Ltd.	123,630	247,309	213,816	33,493	440,262	(9,447)	(8,758)	-
37	Advantech Innovative Design Co., Ltd.	10,000	10,656	234	10,422	1,000	924	809	0.81
38	ADVANIXS KUN SHAN CORPORATION	492,500	329,500	81,763	247,737	543,939	68,785	71,350	-
39	BEMC Holdings Corportation.(BEMC)	3,280,073	-	-	3,155,437	-	-	121,314	12,131.4
40	B+B SmartWorx Inc.(B+B)	3,280,073	3,216,893	324,909	2,891,984	1,133,259	26,524	121,314	315.83
41	B+B SmartWorx Limited (BBI)	1,273,262	107,245	9,814	97,431	129,451	(58,212)	(43,735)	-
42	Advantech B+B SmartWorx s.r.o.CZ(B+B CZ)	-	288,967	48,457	240,510	396,016	98,378	70,716	-
43	Conel Automation s.r.o. (Conel Automation)	-	15,912	8,913	6,999	67,572	(8,283)	(6,330)	-
44	Koste co.,Ltd. (AKST)	12,435	199,900	177,459	22,441	147,194	(49,311)	(45,988)	501.18

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

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

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

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

8.4 Other necessary supplementary notes: None

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Advantech Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the financial statements for the year ended December 31, 2017 were as follows:

Assessment of Provisions for Inventory Write-downs

Inventories as of December 31, 2017 amounted to NT$2,654,681 thousand and accounted for 7% of the total assets in the Company's financial statements, which had a material percentage of the total assets.

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

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

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

2. Evaluated and tested the design and operating effectiveness of the internal controls over the provisions for inventory write-downs.

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

4. Verified the appropriateness of logic and parameters used in the Company's inventory aging analysis reports and selected source data to validate the accuracy of the ages of inventories in the system.

Sales Revenue

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

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 2, 2018

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

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,436,648	7	$ 2,008,247	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	645,100	2	34,348	-
Available-for-sale financial assets - current (Notes 4, 8 and 26)	-	-	700,269	2
Notes receivable (Notes 4 and 9)	62,468	-	67,223	-
Trade receivables (Notes 4 and 9)	1,546,135	4	1,543,604	5
Trade receivables from related parties (Notes 4 and 27)	4,603,076	12	3,908,448	11
Other receivables	143,493	-	105,929	-
Other receivables from related parties (Note 27)	15,569	-	19,002	-
Inventories (Notes 4, 5 and 10)	2,654,681	7	1,935,873	6
Other current assets	46,533	-	38,361	-
Total current assets	12,153,703	32	10,361,304	30
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 26)	1,419,479	4	1,694,801	5
Investments accounted for using the equity method (Notes 4 and 11)	16,591,055	44	15,208,839	44
Property, plant and equipment (Notes 4 and 12)	6,865,025	19	6,938,084	20
Goodwill (Notes 4 and 13)	111,599	-	111,599	-
Other intangible assets (Note 4)	75,584	-	78,321	-
Deferred tax assets (Notes 4 and 18)	236,699	1	136,130	1
Prepayments for equipment	20,126	-	22,676	-
Other noncurrent assets	6,755	-	5,661	-
Total noncurrent assets	25,326,322	68	24,196,111	70
TOTAL	$ 37,480,025	100	$ 34,557,415	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 26)	$ 6,226	-	$ 8,845	-
Notes payable and trade payables	3,459,433	9	1,550,969	4
Trade payables to related parties (Note 27)	1,123,366	3	2,610,642	8
Other payables (Note 14)	2,548,047	7	2,699,374	8
Current tax liabilities (Notes 4 and 18)	1,108,579	3	1,036,650	3
Short-term warranty provisions (Note 4)	53,304	-	49,155	-
Other current liabilities	151,823	-	153,992	-
Total current liabilities	8,450,778	22	8,109,627	23
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	1,162,514	3	988,099	3
Net defined benefit liabilities (Notes 4 and 15)	236,251	1	211,170	1
Other noncurrent liabilities	49,408	-	34,937	-
Total noncurrent liabilities	1,448,173	4	1,234,206	4
Total liabilities	9,898,951	26	9,343,833	27
EQUITY				
Share capital				
Ordinary shares	6,970,325	19	6,330,741	18
Advance receipts for share capital	2,500	-	100	-
Total share capital	6,972,825	19	6,330,841	18
Capital surplus	6,554,842	18	6,058,884	18
Retained earnings				
Legal reserve	5,039,962	13	4,473,276	13
Special reserve	85,204	-	-	-
Unappropriated earnings	9,297,896	25	8,435,785	24
Total retained earnings	14,423,062	38	12,909,061	37
Other equity				
Exchange differences on translation of foreign financial statements	(463,479)	(1)	(197,633)	-
Unrealized gains on available-for-sale financial assets	93,824	-	112,429	-
Total other equity	(369,655)	(1)	(85,204)	-
Total equity	27,581,074	74	25,213,582	73
TOTAL	$ 37,480,025	100	$ 34,557,415	100

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

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 27)				
Sales	$ 30,518,459	99	$ 30,173,747	99
Other operating revenue	382,118	1	327,352	1
Total operating revenue	30,900,577	100	30,501,099	100
OPERATING COSTS (Notes 10, 17 and 27)	21,520,472	70	21,604,247	70
GROSS PROFIT	9,380,105	30	8,896,852	30
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(446,326)	(1)	(264,679)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	264,679	1	330,254	1
REALIZED GROSS PROFIT	9,198,458	30	8,962,427	30
OPERATING EXPENSES (Notes 17 and 27)				
Selling and marketing expenses	683,065	2	659,619	2
General and administrative expenses	832,526	3	884,172	3
Research and development expenses	2,837,185	9	2,641,219	9
Total operating expenses	4,352,776	14	4,185,010	14
OPERATING PROFIT	4,845,682	16	4,777,417	16
NONOPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,965,070	6	1,581,818	5
Interest income (Note 4)	923	-	539	-
Gains on disposal of property, plant and equipment (Note 4)	99,749	-	146,954	1
Gains on disposal of investments (Notes 4 and 16)	165,076	1	1,431	-
Foreign exchange losses, net (Notes 4, 17 and 28)	(45,802)	-	(140,689)	-
Gains on financial instruments at fair value through profit or loss (Note 4)	65,594	-	121,348	-
Dividend income (Note 4)	89,215	-	98,800	-
Other income (Notes 8, 21 and 27)	109,510	-	101,777	-
Finance costs (Note 17)	-	-	(4,163)	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Losses on financial instruments at fair value through profit or loss (Note 4)	$ (84,455)	-	$ (41,381)	-
Impairment loss recognized on investments accounted for using the equity method (Note 11)	(66,443)	-	-	-
Other losses	(130)	-	(155)	-
Total nonoperating income	2,298,307	7	1,866,279	6
PROFIT BEFORE INCOME TAX	7,143,989	23	6,643,696	22
INCOME TAX EXPENSE (Notes 4 and 18)	987,473	3	976,834	3
NET PROFIT FOR THE YEAR	6,156,516	20	5,666,862	19
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	(23,710)	-	(31,039)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Note 11)	(1,395)	-	1,479	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 18)	4,031	-	5,277	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements (Notes 4 and 16)	(313,377)	(1)	(561,518)	(2)
Unrealized losses on available-for-sale financial assets (Notes 4 and 16)	(1,678)	-	(5,765)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4, 11 and 16)	(23,846)	-	45,794	-
Income tax relating to item that may be reclassified subsequently to profit or loss (Notes 4, 16 and 18)	54,450	-	96,161	-
Other comprehensive loss for the year, net of income tax	(305,525)	(1)	(449,611)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,850,991	19	$ 5,217,251	17

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 19)				
Basic	$ 8.84		$ 8.15	
Diluted	$ 8.77		$ 8.09	

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

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Issued Capital (Notes 16 and 20)				Retained Earnings (Notes 4, 16 and 17)				Other Equity (Notes 4 and 16)		
	Share Capital	Advance Receipts for Share Capital	Total	Capital Surplus (Notes 4, 16 and 20)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
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
Appropriation of the 2015 earnings											
Legal reserve	-	-	-	-	510,434	-	(510,434)	-	-	-	-
Cash dividends distributed on ordinary shares	-	-	-	-	-	-	(3,791,118)	(3,791,118)	-	-	(3,791,118)
Recognition of employee share options by the Company	12,210	100	12,310	104,758	-	-	-	-	-	-	117,068
Compensation costs recognized for employee share options	-	-	-	338,194	-	-	-	-	-	-	338,194
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	10,533	-	-	-	-	-	-	10,533
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	17,844	-	-	(3,691)	(3,691)	-	-	14,153
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	5,666,862	5,666,862	-	-	5,666,862
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(24,283)	(24,283)	(469,492)	44,164	(449,611)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	5,642,579	5,642,579	(469,492)	44,164	5,217,251
BALANCE AT DECEMBER 31, 2016	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
Appropriation of the 2016 earnings											
Legal reserve	-	-	-	-	566,686	-	(566,686)	-	-	-	-
Special reserve	-	-	-	-	-	85,204	(85,204)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(3,988,367)	(3,988,367)	-	-	(3,988,367)
Share dividends on ordinary shares	633,074	-	633,074	-	-	-	(633,074)	(633,074)	-	-	-
Recognition of employee share options by the Company	6,510	2,400	8,910	68,510	-	-	-	-	-	-	77,420
Compensation costs recognized for employee share options	-	-	-	424,637	-	-	-	-	-	-	424,637
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	2,054	-	-	-	-	-	-	2,054
Changes in percentage of ownership interests in subsidiaries	-	-	-	757	-	-	-	-	-	-	757
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	6,156,516	6,156,516	-	-	6,156,516
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(21,074)	(21,074)	(265,846)	(18,605)	(305,525)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	6,135,442	6,135,442	(265,846)	(18,605)	5,850,991
BALANCE AT DECEMBER 31, 2017	$ 6,970,325	$ 2,500	$ 6,972,825	$ 6,554,842	$ 5,039,962	$ 85,204	$ 9,297,896	$ 14,423,062	$ (463,479)	$ 93,824	$ 27,581,074

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

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 7,143,989	$ 6,643,696
Adjustments to reconcile profit (loss):		
Depreciation expenses	272,639	239,135
Amortization expenses	81,067	78,294
Impairment loss recognized for trade receivables	185	96
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	18,861	(79,967)
Finance costs	-	4,163
Interest income	(923)	(539)
Dividend income	(89,215)	(98,800)
Compensation costs of employee share options	424,637	338,194
Share of profit of subsidiaries and associates accounted for using the equity method	(1,965,070)	(1,581,818)
Gain on disposal of property, plant and equipment	(99,749)	(146,954)
Gain on disposal of investments	(165,076)	(1,431)
Impairment loss recognized on investments accounted for using the equity method	66,443	-
Realized loss (gain) on the transactions with subsidiaries and associates	181,647	(65,575)
Changes in operating assets and liabilities		
Financial assets held for trading	(632,232)	55,503
Notes receivable	4,755	(11,743)
Trade receivables	(2,716)	(408,460)
Trade receivables from related parties	(694,628)	69,551
Other receivables	(37,564)	7,127
Other receivables from related parties	3,433	(3,406)
Inventories	(718,808)	(262,717)
Other current assets	(8,172)	21,957
Notes payable and trade payables	1,908,464	651,489
Trade payables to related parties	(1,487,276)	(76,488)
Other payables	(151,327)	357,649
Short-term warranty provisions	4,149	7,745
Net defined benefit liabilities	1,371	(2,041)
Other current liabilities	(2,169)	81,680
Other noncurrent liabilities	13,655	3,305
Cash generated from operations	4,070,370	5,819,645
Interest received	923	539
Dividends received	89,215	98,800
Interest paid	-	(4,163)
Income tax paid	(783,217)	(653,568)
Net cash generated from operating activities	3,377,291	5,261,253

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	$ (5,082,000)	$ (4,128,000)
Proceeds from sale of available-for-sale financial assets	6,220,989	3,429,410
Acquisition of investments accounted for using equity method	(637,500)	(293,281)
Proceeds from disposal of investments accounted for using the equity method	-	336,958
Proceeds of the capital reduction of investments accounted for using the equity method	-	232,330
Payments for property, plant and equipment	(252,269)	(930,598)
Proceeds from disposal of property, plant and equipment	135,528	239,507
Decrease in refundable deposits	(1,094)	5,176
Payments for intangible assets	(76,794)	(76,875)
Proceeds from disposal of intangible assets	-	58
Decrease in prepayments for equipment	17,924	11,809
Dividends received from subsidiaries and associates	636,457	779,257
Net cash generated from (used in) investing activities	961,241	(394,249)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	816	-
Cash dividends paid	(3,988,367)	(3,791,118)
Exercise of employee share options	77,420	117,068
Net cash used in financing activities	(3,910,131)	(3,674,050)
NET INCREASE IN CASH AND CASH EQUIVALENTS	428,401	1,192,954
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,008,247	815,293
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,436,648	$ 2,008,247

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

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 2, 2018.

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

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

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company'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 combinations with acquisition dates on or after January 1, 2017. Refer to Note 22 for information on business combinations that occurred in 2017.

2) 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 amendments becomes effective in 2017, the short-term receivables and payables with no stated interest rates are measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

3) Amendments to IAS 36 "Impairment of Assets"

The amendment "Disclosures for Non-financial Assets" clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an investment accounted for using the equity method for which impairment loss has been recognized is the fair value less costs of disposal measured by using the present value technique, then the Company is required to disclose the discount rate. The amendment should be applied retrospectively starting from January 1, 2017. Refer to Note 11 for the related disclosures.

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 an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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 of the Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company, 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 relationships with whom the Company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Company's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 27 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Concluded)

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

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

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

The amendment to IFRS 12 clarifies that when an entity's interest in a subsidiary or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary or associate in accordance with IFRS 12. The Company will apply the aforementioned amendment retrospectively.

2) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard 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 Company'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 contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest income 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 collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest income is recognized in profit or loss by using the effective interest method, and other gains or losses 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 Company 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.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss. Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments; and

c) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, and certain written loan commitments. A loss allowance for 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 Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through other comprehensive income - current	$ -	$ 1,419,479	$ 1,419,479
Available-for-sale financial assets - non-current	1,419,479	(1,419,479)	-
Total effect on assets	$ 1,419,479	$ -	$ 1,419,479
Unappropriated earnings	$ 9,297,896	$ (32,606)	$ 9,265,290
Unrealized gain on financial assets at fair value through other comprehensive income	-	126,430	126,430
Unrealized gain (loss) on available-for-sale financial assets	93,824	(93,824)	-
Total effect on equity	$ 93,824	$ -	$ 9,391,720

3) 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 starting from January 1, 2018.

When applying IFRS 15, the Company 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 Company 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 Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

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

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

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

4) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

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

5) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

The amendments stipulate that, when 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 over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate, i.e. the entity’s share of the gain or loss is eliminated.

2) IFRS 16 “Leases”

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

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

On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

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

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

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

4) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

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

When the amendments become effective, the Company shall apply the amendments retrospectively. However, the Company may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

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

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

When the amendments become effective, the Company shall apply the amendments retrospectively. However, the Company may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

6) Annual Improvements to IFRSs 2015-2017 Cycle

   Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

7) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Business combinations

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

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

Where the consideration the Company 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 gains on bargain purchases. 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.

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

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

f. Inventories

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

g. Investment in subsidiaries

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

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

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

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

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

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

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

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

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

h. Investment in associates

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

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

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

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

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

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

Loans and receivables (including trade receivables and cash and cash equivalent) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

o. Revenue recognition

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

1) Sale of goods

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

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

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

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

2) Rendering of services

Service income is recognized when services are provided.

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

3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

4) Dividend and interest income

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

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

p. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Company as lessee

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Employee share options

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

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

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

t. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Inventory write-downs

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

b. Impairment of goodwill included in the investments in subsidiaries

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 245	$ 325
Checking accounts and demand deposits	2,436,403	2,007,922
	$ 2,436,648	$ 2,008,247

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

	December 31	
	2017	2016
Demand deposits	0.0001%-0.35%	0.0001%-0.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets at held for trading - current		
Derivative financial assets		
Foreign exchange forward contracts	$ 5,084	$ 34,348
Non-derivative financial assets		
Mutual funds	640,016	-
	$ 645,100	$ 34,348
Financial liabilities held for trading - current		
Derivative financial liabilities		
Foreign exchange forward contracts	$ 6,226	$ 8,845

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Sell	EUR/NTD	2018.01-2018.05	EUR14,000/NTD499,225
	EUR/USD	2018.01-2018.04	EUR1,500/USD1,805
	JPY/NTD	2018.01-2018.05	JPY500,000/NTD134,549
	RMB/NTD	2018.01-2018.03	RMB77,000/NTD346,212
December 31, 2016			
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	USD8,414/NTD266,779
	JPY/NTD	2017.01-2017.06	JPY430,000/NTD128,601
	RMB/NTD	2017.01-2017.03	RMB83,000/NTD380,318

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Domestic investments		
Mutual funds	$ -	$ 700,269
Non-current		
Domestic investments		
Quoted shares	$ 1,419,479	$ 1,694,801

For its securities borrowings and lending transactions, the Company placed some of its quoted domestic shares, recorded under available-for-sale assets - non-current, in a trust at Chinatrust Commercial Bank during the two months ended February 28, 2017 and for the year ended December 31, 2016. The Company ended the trust of quoted domestic shares on March 31, 2017. As of December 31, 2016, the shares held in the trust amounted to $1,257,600 thousand. For such transactions, the Company recognized gains of $53 thousand for the year ended December 31, 2016. These gains were recorded under other nonoperating income.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2017	2016
Notes receivable	$ 62,468	$ 67,223
Trade receivables	$ 1,551,178	$ 1,560,620
Less: Allowance for impairment loss	(5,043)	(17,016)
	$ 1,546,135	$ 1,543,604

Trade Receivables

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

For the trade receivables balances that were past due at the end of the reporting period, the Company 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 Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2017	2016
Not overdue	$ 1,375,038	$ 1,404,166
Overdue		
1 to 90 days	164,718	140,291
91 to 360 days	11,422	1,873
Over 360 days	-	14,290
	$ 1,551,178	$ 1,560,620

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

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

	December 31	
	2017	2016
1 to 30 days	$ 148,904	$ 124,761
31 to 60 days	7,821	9,590
61 to 90 days	7,993	5,940
	$ 164,718	$ 140,291

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 17,569	$ 3,330	$ 20,899
Plus: Impairment losses recognized on receivables	96	-	96
Less: Amounts written off during the year as uncollectible	(3,979)	-	(3,979)
Balance at December 31, 2016	13,686	3,330	17,016
Plus: Impairment losses recognized on receivables	185	-	185
Less: Amounts written off during the year as uncollectible	(12,158)	-	(12,158)
Balance at December 31, 2017	$ 1,713	$ 3,330	$ 5,043

The Company recognized impairment losses of $1,432 thousand on trade receivables as of December 31, 2016. These amounts mainly related to customers that were in the process of liquidation or experiencing severe financial difficulties. The Company did not hold any collateral over these balances.

10. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 869,571	$ 707,014
Work in process	580,887	462,358
Raw materials	1,163,823	732,715
Inventories in transit	40,400	33,786
	$ 2,654,681	$ 1,935,873

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $21,396,382 thousand and $21,532,273 thousand, respectively.

The costs of inventories decreased by $135,055 thousand and $89,589 thousand as of December 31, 2017 and 2016, respectively, when stated at the lower of cost or net realizable value.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 15,328,904	$ 14,626,539
Investments in associates	1,262,151	582,300
	$ 16,591,055	$ 15,208,839

a. Investments in subsidiaries

	December 31	
	2017	2016
Unlisted companies		
Advantech Automation Corp. (BVI) ("AAC (BVI)")	$ 4,187,055	$ 4,021,994
Advantech Technology Co., Ltd. ("ATC")	3,518,872	3,243,871
Advantech Corporate Investment	1,899,479	1,639,126
Advanixs Corp.	856,049	979,563
Advantech Europe Holding B.V. ("AEUH")	925,225	864,191
LNC Technology Co., Ltd. ("LNC") (formerly Advantech-LNC Technology Co., Ltd. ("ALNC"))	492,441	493,481
AdvanPOS Technology Co., Ltd. ("AdvanPOS")	552,116	577,260
Advantech KR Co., Ltd. ("AKR")	278,131	228,407
Advantech Japan Co., Ltd. ("AJP")	269,111	218,331
Advantech Co. Singapore Pte, Ltd. ("ASG")	90,848	72,186
Advantech Brasil Ltda. ("ABR")	64,801	75,531
Advantech Co. Malaysia Sdn. Bhd. ("AMY")	66,713	45,752
Advantech Australia Pty Ltd. ("AAU")	49,785	34,737
Advantech Industrial Computing India Private Limited ("AIN")	11,376	1,663
Advantech Innovative Design Co., Ltd.	10,421	9,633
Advantech Electronics, S. De R. L. Dec. V. ("AMX")	(399)	594
BEMC Holdings Corporation ("BEMC")	1,885,077	1,959,805
Advantech Intelligent Service ("AiST")	171,803	160,414
Kostec Co., Ltd. ("AKST")	-	-
	$ 15,328,904	$ 14,626,539

	December 31	
	2017	2016
AAC (BVI)	100.00%	100.00%
ATC	100.00%	100.00%
Advantech Corporate Investment	100.00%	100.00%
Advanixs Corporation	100.00%	100.00%
AEUH	100.00%	100.00%
LNC (formerly ALNC)	81.17%	81.17%
AdvanPOS	100.00%	100.00%
AKR	100.00%	100.00%
AJP	100.00%	100.00%
ASG	100.00%	100.00%
ABR	80.00%	80.00%
AMY	100.00%	100.00%
AAU	100.00%	100.00%
AIN	99.99%	99.99%
Advantech Innovative Design Co., Ltd.	100.00%	100.00%
AMX	100.00%	100.00%
BEMC (Note 22)	60.00%	60.00%
AiST	100.00%	100.00%
AKST (Note 22)	36.00%	-

Refer to Note 28 to the Company's consolidated financial statements of the year ended December 31, 2017 for the disclosures of the Company's acquisitions of AKST and B+B SmartWorx, Inc. ("B+B").

Refer to Table 7 for the details of the subsidiaries indirectly held by the Company.

Investments in the subsidiary AKST are accounted for using the equity method. As a result of the actual sales growth of the subsidiary AKST after the business combination did not turn out as expected, AKST had the continuous losses for the ended year December 31, 2017. In addition, the forecasted future operations of AKST is not optimism. Hence, the estimated future cash flows was decreased. The Group carried out a review of the recoverable amount of that related assets and determined that the carrying amount exceeded the recoverable amount. The review led the Company to recognize an impairment loss on investments in AKST of $66,443 thousand. Since AKST is mutually owned by AKR and the Company, an impairment loss of $44,328 thousand was recognized in the share of the profit of subsidiaries and associates.

Except the financial statements of AJP, ASG, ABR, AMY, AAU, AIN, AMX, AKST, Advantech Innovative Design Co., Ltd., AiST and LNC, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been audited. Management believes there will be no material impact on its equity method accounting or its calculation of the share of profit or loss and other comprehensive income had the financial statements of the above subsidiaries been audited.

b. Investments in associates

	December 31 2017	December 31 2016
Associates that are not individually material		
Listed companies		
Axiomtek Co., Ltd. (“Axiomtek”)	$ 622,604	$ 464,155
Winmate Inc. (“Winmate”)	544,960	-
Unlisted companies		
AIMobile Co., Ltd. (“AIMobile”)	84,140	109,241
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	10,447	8,904
	$ 1,262,151	$ 582,300

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
The Company’s share of:		
Profit from continuing operations	$ 222,399	$ 67,390
Other comprehensive income (loss)	(1,306)	1,575
Total comprehensive income for the year	$ 221,093	$ 68,965

The Company acquired Winmate Inc. as an associate in 2017.

The financial statements used as a basis for calculating investments in associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments have not been audited, except the financial statements of Axiomtek Co., Ltd. Management believes there would have been no material impact on its equity method accounting or its calculation of the share of profit or loss and other comprehensive income had the unaudited financial statements of the above subsidiaries been audited.

12. PROPERTY, PLANT, AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
Balance at January 1, 2016	$ 2,774,795	$ 2,470,366	$ 855,781	$ 267,648	$ 573,645	$ 914,294	$ 7,856,529
Additions	-	124,964	22,004	20,968	42,814	805,658	1,016,408
Disposals	(78,305)	(16,248)	(36,127)	(15,700)	(43,656)	-	(190,036)
Reclassifications	-	1,563,490	55,691	11,053	23,000	(1,677,979)	(24,745)
Balance at December 31, 2016	$ 2,696,490	$ 4,142,572	$ 897,349	$ 283,969	$ 595,803	$ 41,973	$ 8,658,156
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 371,673	$ 636,416	$ 181,454	$ 388,877	$ -	$ 1,578,420
Disposals	-	(7,023)	(35,610)	(14,978)	(39,872)	-	(97,483)
Depreciation expenses	-	55,755	70,612	35,077	77,691	-	239,135
Balance at December 31, 2016	$ -	$ 420,405	$ 671,418	$ 201,553	$ 426,696	$ -	$ 1,720,072
Carrying amounts at December 31, 2016	$ 2,696,490	$ 3,722,167	$ 225,931	$ 82,416	$ 169,107	$ 41,973	$ 6,938,084
Cost							
Balance at January 1, 2017	$ 2,696,490	$ 4,142,572	$ 897,349	$ 283,969	$ 595,803	$ 41,973	$ 8,658,156
Additions	-	95,260	18,292	30,052	37,079	71,586	252,269
Disposals	(22,017)	(13,046)	(37,865)	(18,489)	(14,311)	-	(105,728)
Reclassifications	-	3,771	48,498	811	40,469	(110,130)	(16,581)
Balance at December 31, 2017	$ 2,674,473	$ 4,228,557	$ 926,274	$ 296,343	$ 659,040	$ 3,429	$ 8,788,116
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 420,405	$ 671,418	$ 201,553	$ 426,696	$ -	$ 1,720,072
Disposals	-	(5,381)	(32,355)	(18,375)	(13,509)	-	(69,620)
Depreciation expenses	-	81,873	66,404	39,568	84,794	-	272,639
Balance at December 31, 2017	$ -	$ 496,897	$ 705,467	$ 222,746	$ 497,981	$ -	$ 1,923,091
Carrying amounts at December 31, 2017	$ 2,674,473	$ 3,731,660	$ 220,807	$ 73,597	$ 161,059	$ 3,429	$ 6,865,025

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	45-60 years
Electronic equipment	5 years
Engineering systems	50 years
Equipment	2-8 years
Office equipment	2-5 years
Other facilities	2-5 years

13. GOODWILL

	For the Year Ended December 31 2017	2016
Cost		
Balance at January 1	$ 111,599	$ 111,599
Balance at December 31	$ 111,599	$ 111,599

14. OTHER LIABILITIES

	December 31 2017	December 31 2016
Other payables		
Payables for salaries or bonuses	$ 1,878,709	$ 1,840,482
Payables for royalties	118,347	179,207
Payables for annual leave	44,063	36,701
Others (Note)	506,928	642,984
	$ 2,548,047	$ 2,699,374

Note: Including marketing expenses, and freight expenses.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (“LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31 2017	December 31 2016
Present value of defined benefit obligation	$ 368,670	$ 343,036
Fair value of plan assets	(132,419)	(131,866)
Deficit	236,251	211,170
Net defined benefit liabilities	$ 236,251	$ 211,170

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2016	$ 327,854	$ (145,682)	$ 182,172
Service cost			
Current service cost	2,645	-	2,645
Net interest expense (income)	5,328	(2,429)	2,899
Recognized in profit or loss	7,973	(2,429)	5,544
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,402	1,402
Actuarial loss - changes in demographic assumptions	8,515	-	8,515
Actuarial loss - changes in financial assumptions	10,487	-	10,487
Actuarial loss - experience adjustments	10,635	-	10,635
Recognized in other comprehensive income	29,637	1,402	31,039
Contributions from the employer	-	(7,585)	(7,585)
Benefits paid	(22,428)	22,428	-
Balance at December 31, 2016	343,036	(131,866)	211,170
Service cost			
Current service cost	2,137	-	2,137
Past service cost	4,589	-	4,589
Net interest expense (income)	4,717	(1,865)	2,852
Recognized in profit or loss	11,443	(1,865)	9,578
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	522	522
Actuarial loss - changes in demographic assumptions	20,166	-	20,166
Actuarial loss - experience adjustments	3,022	-	3,022
Recognized in other comprehensive income	23,188	522	23,710
Contributions from the employer	-	(8,207)	(8,207)
Benefits paid	(8,997)	8,997	-
Balance at December 31, 2017	$ 368,670	$ (132,419)	$ 236,251

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 1,186	$ 1,230
Selling and marketing expenses	1,464	868
General and administrative expenses	927	1,010
Research and development expenses	5,479	1,954
	$ 9,056	$ 5,062

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate(s)	1.375%	1.375%
Expected rate(s) of salary increase	3.250%	3.250%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease/increase as follows:

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (11,203)	$ (10,694)
0.25% decrease	$ 11,684	$ 11,160
Expected rate(s) of salary increase		
0.25% increase	$ 11,284	$ 10,775
0.25% decrease	$ (10,880)	$ (10,384)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 1,491	$ 7,601
The average duration of the defined benefit obligation	12.6 years	12.7 years

16. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	800,000	800,000
Amount of shares authorized	$ 8,000,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	697,283	633,084
Amount of shares issued and fully paid	$ 6,972,825	$ 6,330,841

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 share dividends to be distributed and employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 3,396,888	$ 3,396,888
Conversion of bonds	931,849	931,849
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	17,844	17,844
May be used to offset a deficit only		
Changes in percentage of ownership interests in subsidiaries (2)	5,003	4,246
Employee share options	1,241,557	1,077,084
Employees' share compensation	78,614	78,614
May not be used for any purpose		
Share of changes in capital surplus of associates	25,285	23,231
Employee share options	857,802	529,128
	$ 6,554,842	$ 6,058,884

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

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

c. Retained earnings and dividends 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 the distribution of employees' compensation and remuneration of directors and supervisors.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to employee's compensation and remuneration of directors and supervisors in Note 17, d.

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

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

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and 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 appropriation of earnings, for 2016 and 2015 have been approved in the shareholders' meetings on May 26, 2017 and May 25, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	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 2017 had been proposed by the Company's board of directors on March 2, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 615,651	$ -
Special reserve	284,451	-
Cash dividends	4,600,414	6.6

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on May 24, 2018.

d. Special reserves

	For the Year Ended December 31 2017
Beginning at January 1	$ -
Appropriations in respect of	
Debits to other equity items	85,204
Balance at December 31	$ 85,204

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (197,633)	$ 271,859
Exchange differences on translating the financial statements of foreign operations	(313,377)	(561,518)
Related income tax	54,450	96,161
Share of exchange difference of associates accounted for using the equity method	(6,919)	(4,135)
Balance at December 31	$ (463,479)	$ (197,633)

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 112,429	$ 68,265
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	163,398	(4,334)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(165,076)	(1,431)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	(16,927)	49,929
Balance at December 31	$ 93,824	$ 112,429

17. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on loans from related parties	$ -	$ 3,871
Interest on short-term bank loans	-	292
	$ -	$ 4,163

b. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 272,639	$ 239,135
Intangible assets	81,067	78,294
	$ 353,706	$ 317,429
An analysis of depreciation by function		
Operating costs	$ 66,559	$ 55,527
Operating expenses	206,080	183,608
	$ 272,639	$ 239,135
An analysis of amortization by function		
Operating costs	$ 740	$ 277
Selling and marketing expenses	109	13
General and administrative expenses	49,338	52,694
Research and development expenses	30,880	25,310
	$ 81,067	$ 78,294

c. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Short-term benefits	$ 2,996,315	$ 2,978,334
Post-employment benefits		
Defined contribution plans	121,811	118,917
Defined benefit plans (Note 15)	9,056	5,062
	130,867	123,979
Share-based payments - equity-settled	424,637	338,194
Other employee benefits	145,820	147,018
Total employee benefits expense	$ 3,697,639	$ 3,587,525

(Continued)

	For the Year Ended December 31	
	2017	2016
An analysis of employee benefits expense by function		
Operating costs	$ 793,642	$ 743,057
Operating expenses	2,903,997	2,844,468
	$ 3,697,639	$ 3,587,525

(Concluded)

d. Employees' compensation and remuneration of directors and supervisors

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. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 2, 2018 and March 6, 2017, respectively, were as follows:

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the 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 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains	$ 473,701	$ 445,744
Foreign exchange losses	(519,503)	(586,433)
Net losses	$ (45,802)	$ (140,689)

18. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 801,950	$ 738,950
Income tax on unappropriated earnings	36,556	71,661
Adjustments for prior years	16,640	25,838
	855,146	836,449
Deferred tax		
In respect of the current year	132,327	140,385
Income tax expense recognized in profit or loss	$ 987,473	$ 976,834

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax	$ 7,143,989	$ 6,643,696
Income tax expense calculated at the statutory rate	$ 1,214,478	$ 1,129,428
Tax-exempt income	(214,229)	(167,214)
Unrecognized investment credits	(85,000)	(87,000)
Income tax on unappropriated earnings	36,556	71,661
Land value increment tax	7,733	4,121
Unrealized deductible temporary differences	11,295	-
Adjustments for prior years' tax	16,640	25,838
Income tax expense recognized in profit or loss	$ 987,473	$ 976,834

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $41,770 thousand and $205,150 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of 10% income tax rate of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ 54,450	$ 96,161
Remeasurement on defined benefit plans	4,031	5,277
	$ 58,481	$ 101,438

c. Current tax liabilities

	December 31 2017	December 31 2016
Current tax liabilities		
Income tax payable	$ 1,108,579	$ 1,036,650

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 44,996	$ 30,880	$ -	$ 75,876
Unrealized loss on inventory write-downs	15,230	7,729	-	22,959
Defined benefit obligation	15,656	(233)	-	15,423
Unrealized warranty liabilities	8,356	705	-	9,061
Unrealized exchange losses	-	3,007	-	3,007
Exchange differences on translating foreign operations	40,479	-	54,450	94,929
Remeasurement on defined benefit plans	11,413	-	4,031	15,444
	$ 136,130	$ 42,088	$ 58,481	$ 236,699
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 982,170	$ 176,547	$ -	$ 1,158,717
Government grants	-	406	-	406
Remeasurement on defined benefit plans	3,391	-	-	3,391
Unrealized exchange gains	2,538	(2,538)	-	-
	$ 988,099	$ 174,415	$ -	$ 1,162,514

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 56,143	$ (11,147)	$ -	$ 44,996
Unrealized loss on inventory write-downs	18,293	(3,063)	-	15,230
Defined benefit obligation	16,003	(347)	-	15,656
Unrealized exchange losses	8,545	(8,545)	-	-
Donation expenses	2,550	(2,550)	-	-
Unrealized warranty liabilities	7,040	1,316	-	8,356
Exchange differences on translating foreign operations	-	-	40,479	40,479
Remeasurement on defined benefit plans	6,136	-	5,277	11,413
	$ 114,710	$ (24,336)	$ 45,756	$ 136,130
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 868,659	$ 113,511	$ -	$ 982,170
Exchange differences on translating foreign operations	55,682	-	(55,682)	-
Remeasurement on defined benefit plans	3,391	-	-	3,391
Unrealized exchange gains	-	2,538	-	2,538
	$ 927,732	$ 116,049	$ (55,682)	$ 988,099

e. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	$ 9,279,896	$ 8,435,785
Shareholder-imputed credit accounts	$ 945,178	$ 777,620

	For the Year Ended December 31	
	2017 (Expected)	2016
Creditable ratio for distribution of earnings	Note	14.16%

Note: Since the amended Income Tax Act which was announced and effective in February 2018 has abolished the imputation tax system, the related information is not applicable in 2017.

f. Income tax assessments

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

19. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share	$ 8.84	$ 8.15
Diluted earnings per share	$ 8.77	$ 8.09

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 8, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	**After Retrospective Adjustment**
Basic earnings per share	$ 8.96	$ 8.15
Diluted earnings per share	$ 8.90	$ 8.09

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2016**
Earnings used in the computation of basic earnings per share	$ 6,156,516	$ 5,666,862
Earnings used in the computation of diluted earnings per share	$ 6,156,516	$ 5,666,862

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

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares in computation of basic earnings per share	696,802	695,475
Effect of potentially dilutive ordinary shares:		
Employee share option	3,949	4,046
Employees' compensation	1,479	1,118
Weighted average number of ordinary shares used in the computation of diluted earnings per share	702,230	700,639

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

20. 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 prices of those granted in 2016 and 2014 were both NT$100 per share. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options will be adjusted accordingly.

Information on employee share options was as follows:

	2017		2016	
Employee Share Options	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	10,269	$ 98.20	5,000	$100.00
Options granted	-	-	6,500	100.00
Options exercised	(891)	86.89	(1,231)	95.10
Balance at December 31	9,378	95.15	10,269	98.20
Options exercisable, end of the year	2,878	84.20	3,769	95.10
Weighted-average fair value of options granted (NT$)	$ -		$ 95.10	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2017 and 2016 were from NT$204 to NT$266 and from NT$204 to NT$269, respectively.

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

	December 31			
	2017		2016	
Employee Share Options	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**
Issuance in 2016	$ 88.50	4.45	$100.00	5.45
Issuance in 2014	84.20	2.63	95.10	3.63

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

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

Expected volatility was based on the historical share price volatility over the past 5 years.

Compensation costs recognized were $424,637 thousand and $338,194 thousand for the years ended December 31, 2017 and 2016, respectively.

21. GOVERNMENT GRANTS

In 2017, the Company participated in a governmental project plan and received a government grant of $12,005 thousand. The amount was recognized as other income.

22. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

	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	$ 120,592
B+B SmartWorx, Inc. (Note)	Sale of industrial network communications	January 4, 2016	100	$ 3,296,048
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	May 27, 2016	100	$ 459,648

Note: For more information on BEMC Holdings Corporation, Avtek Corporation and B+B and its subsidiaries B&B IMC. LLC, Quatech, LLC, B+B SmartWorx Limited, B&B Electronics Holdings LLC, B&B SmartWorx DMCC, Advantech B+B SmartWorx s.r.o. CZ and Conel Automation s.r.o. CZ, refer to Table 7 following these Notes to Financial Statements.

To expand the Company's global brand market in intelligent medical displays and industrial network communications and operations in China, the Company acquired AKST, B+B SmartWorx Inc. and Advanixs Kun Shan Corp. For details about the acquisition of AKST, B+B SmartWorx Inc. and Advanixs Kun Shan Corp., refer to Note 28 to the Company's consolidated financial statements for the year ended December 31, 2017.

23. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

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

b. In the first quarter of 2016, the Company acquired 40% equity in Hanzhou Advantofine Automation Co., Ltd., increasing the Company's equity interest from 60% to 100%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the above transactions, refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2017.

24. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases relate to leases of warehouses with lease term of 1 year. The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2017	2016
Not later than 1 year	$ 1,342	$ 280

The lease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	$ 4,047	$ 12,079

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged in both 2017 and 2016.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued.

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 5,084	$ -	$ 5,084
Mutual funds	640,016	-	-	640,016
	$ 640,016	$ 5,084	$ -	$ 645,100
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,419,479	$ -	$ -	$ 1,419,479
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 6,226	$ -	$ 6,226

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 34,348	$ -	$ 34,348
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,694,801	$ -	$ -	$ 1,694,801
Mutual funds	700,269	-	-	700,269
	$ 2,395,070	$ -	$ -	$ 2,395,070
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 8,845	$ -	$ 8,845

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

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

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

b. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 645,100	$ 34,348
Loans and receivables (Note 1)	8,807,389	7,652,453
Available-for-sale financial assets	1,419,479	2,395,070
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	6,226	8,845
Amortized cost (Note 2)	7,130,846	6,860,985

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, note receivables, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payables, trade payables to related parties and other payables.

c. Financial risk management objectives and policies

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

The Company 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 Company'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 Company did not enter into or trade financial instrument, including derivative financial instruments, for speculative purposes.

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

1) Market risk

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

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

a) Foreign currency risk

The Company undertook operating activities and investment of foreign operations denominated in foreign currencies, which exposed the Company to foreign currency risk. The Company manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which allow the Company to mitigate but not fully eliminate the effect.

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 28 and 7, respectively.

Sensitivity analysis

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

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

	U.S. Dollar Impact		**Euro Impact**		**Renminbi Impact**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Profit or loss	$ 109,459 (Note 1)	$ 60,788 (Note 1)	$ 57,967 (Note 2)	$ 56,716 (Note 2)	$ 13,624 (Note 3)	$ 23,072 (Note 3)

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

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

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

b) Interest rate risk

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

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

	December 31	
	2017	**2016**
Cash flow interest rate risk		
Financial assets	$ 2,433,560	$ 2,004,912

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the 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 Company's pre-tax profit for the years ended December 31, 2017 and 2016 would have increased by $12,168 thousand and $10,025 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Company's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company manages this exposure by maintaining a portfolio of investments with different risks. The Company's equity price risks was mainly concentrated on equity instruments trading in the Taiwan stock exchange.

Sensitivity analysis

The sensitivity 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, the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have increased by $14,195 thousand and $16,948 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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

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

3) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2017 and 2016, the Company had available unutilized short-term bank loan facilities set out in (3) below.

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

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

December 31, 2017

	On Demand or Less than 1 Month	**1-3 Months**	**Over 3 Months to 1 Year**	**Over 1 Year - 5 Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 4,808,601	$ 1,222,066	$ 1,100,179	$ -

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year - 5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 4,481,036	$ 1,320,648	$ 1,059,301	$ -

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

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

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

December 31, 2017

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

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Gross settled				
Foreign exchange forward contracts				
Inflows	$ 297,337	$ 693,399	$ 282,619	$ 1,273,355
Outflows	287,861	682,033	277,958	1,247,852
	$ 9,476	$ 11,366	$ 4,661	$ 25,503

c) Financing facilities

	December 31	
	2017	2016
Unsecured bank loan facilities		
Amount used	$ -	$ -
Amount unused	2,345,362	2,362,900
	$ 2,345,362	$ 2,362,900

27. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of significant transactions between the Company and other related parties are disclosed below.

a. Names and categories of related parties

Name	Related Party Category
Advantech Automation Corp. (HK) Limited ("AAC (HK)")	Subsidiary
AAU	Subsidiary
ABR	Subsidiary
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Subsidiary
DLOG Gesellschaft für elektronische Datentechnik mbH ("A-DloG")	Subsidiary
Advantech Europe B.V. ("AEU")	Subsidiary
Advantech International. PT. ("AID")	Subsidiary
AIN	Subsidiary
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Subsidiary
AJP	Subsidiary
Advantech Technology (China) Company Ltd. ("AKMC")	Subsidiary
AKR	Subsidiary
Kostec Co., Ltd ("AKST")	Subsidiary
AMY	Subsidiary
Advantech Corp. ("ANA")	Subsidiary
Advantech Poland Sp z o.o. ("APL")	Subsidiary
ASG	Subsidiary
Advantech Corporation (Thailand) Co., Ltd. ("ATH")	Subsidiary
B+B	Subsidiary
Cermate Technologies Inc. ("Cermate")	Subsidiary
Advantech Corporate Investment	Subsidiary
AiST	Subsidiary
LNC (formerly ALNC)	Subsidiary
Advanixs Corp. ("Advanixs")	Subsidiary
AdvanPOS	Subsidiary
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Winmate Inc.	Associate

(Continued)

Name	Related Party Category
Ke Chang Liu	Other related party (chairman's second immediate family)
Li Ting Huang	Other related party (spouse of chairman's second immediate family)
Advantech Foundation	Other related party

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiaries		
ANA	$ 8,255,247	$ 8,315,279
ACN	6,039,617	5,414,546
AEU	4,316,172	3,835,119
Others	3,702,568	5,254,151
Associates	36,628	17,108
Other related parties	-	10
	$ 22,350,232	$ 22,836,213

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiaries		
AKMC	$ 10,519,469	$ 9,739,690
Advanixs	1,328,501	2,343,971
Others	1,551,277	2,624,668
Associates	51,565	21,126
	$ 13,450,812	$ 14,729,455

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

Line Item	Related Party Category/Name	December 31 2017	2016
Trade receivables - related parties	Subsidiaries		
	ANA	$ 1,595,920	$ 1,114,946
	AEU	1,363,473	946,893
	ACN	964,313	821,752
	Others	671,867	1,022,640
	Associates	7,203	2,206
	Other related parties	300	11
		$ 4,603,076	$ 3,908,448

The outstanding trade receivables from related parties are unsecured. For the years ended December 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)

Related Party Category/Name	December 31 2017	December 31 2016
Subsidiaries		
AKMC	$ 932,599	$ 1,212,521
Advanixs	16,222	626,010
AdvanPOS	747	607,545
Others	154,299	155,770
Associates	19,499	8,796
	$ 1,123,366	$ 2,610,642

The outstanding trade payables to related parties are unsecured.

f. Other receivables from related parties

Related Party Category	December 31 2017	December 31 2016
Subsidiaries	$ 15,569	$ 19,002

g. Acquisitions of property, plant and equipment

Related Party Category	Purchase Price For the Year Ended December 31 2017	Purchase Price For the Year Ended December 31 2016
Subsidiaries	$ -	$ 10,408
Associates	8,381	-
	$ 8,381	$ 10,408

h. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31 2017	Proceeds For the Year Ended December 31 2016	Gain (Loss) on Disposal For the Year Ended December 31 2017	Gain (Loss) on Disposal For the Year Ended December 31 2016
Other related parties	$ 74,397	$ -	$ 66,531	$ -

i. Other transactions with related parties

	Operating Expenses For the Year Ended December 31 2017	Operating Expenses For the Year Ended December 31 2016
Administration expenses		
Subsidiaries	$ 23,235	$ 16,570
Research and development expenses		
Associates	$ 23,709	$ -
Subsidiaries	5,267	1,285
	$ 28,976	$ 1,285

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

	Operating Expenses	
	For the Year Ended December 31	
	2017	2016
Rent expenses		
Subsidiaries	$ 1,539	$ 1,518
Others		
Subsidiaries	$ -	$ 3,871

	Other Income	
	For the Year Ended December 31	
	2017	2016
Rent income		
Subsidiaries	$ 4,836	$ 4,836
Other related parties	60	60
	$ 4,896	$ 4,896
Others		
Subsidiaries	$ 78,876	$ 88,537
Other related parties	2,702	2,702
	$ 81,578	$ 91,239

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

j. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 46,617	$ 34,349
Post-employment benefits	201	113
Share-based payments	9,653	20,114
	$ 56,471	$ 54,576

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

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 188,935	29.76 (USD:NTD)	$ 5,622,706
RMB	326,570	4.565 (RMB:NTD)	1,490,792
EUR	32,336	35.57 (EUR:NTD)	1,150,192
			$ 8,263,690
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	332,724	29.76 (USD:NTD)	$ 9,901,866
EUR	30,536	35.57 (EUR:NTD)	1,086,166
KRW	10,914,513	0.028 (KRW:NTD)	305,606
JPY	1,044,091	0.264 (JPY:NTD)	275,640
			$ 11,569,278
Financial liabilities			
Monetary items			
USD	115,373	29.76 (USD:NTD)	$ 3,433,500
RMB	189,882	4.565 (RMB:NTD)	866,811
			$ 4,300,311

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 125,577	32.25 (USD:NTD)	$ 4,049,858
RMB	329,147	4.167 (RMB:NTD)	1,519,672
EUR	23,502	33.90 (EUR:NTD)	796,718
			$ 6,366,248

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	$ 290,712	32.25 (USD:NTD)	$ 9,375,462
EUR	29,470	33.90 (EUR:NTD)	999,033
KRW	9,340,408	0.027 (KRW:NTD)	252,191
JPY	832,407	0.276 (JPY:NTD)	229,744
			$ 10,856,430
Financial liabilities			
Monetary items			
USD	79,465	32.25 (USD:NTD)	$ 2,562,746
RMB	200,202	4.617 (RMB:NTD)	924,333
			$ 3,487,079

(Concluded)

For the years ended December 2017 and 2016, realized and unrealized net foreign exchange losses were $45,802 thousand and $140,689 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.

29. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)

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

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

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

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

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

9) Transactions of financial instruments. (Notes 7 and 26)

10) Name, locations, and other information of investees. (Table 7)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 8)

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

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 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 Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Year	Ending Balance	Ending Balance						Item	Value		
1	Better Auto	Advantech LNC Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	$ 20,729 (RMB 4,520 thousand)	$ -	$ -	-	Short-term financing	$ -	Financing need	$ -	None	None	$ 2,758,107 (Note C)	$ 5,516,214 (Note C)
		Advantech LNC Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	15,673 (US$ 500 thousand)	-		-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
2	ANA	B+B	Trade receivables - related parties	Yes	23,509 (US$ 750 thousand)	-	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
3	B+B	B+B (CZ)	Trade receivables - related parties	Yes	39,505 (CZK 31,756 thousand)	-	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
4	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	16,764 (CZK 12,000 thousand)	16,740 (CZK 12,000 thousand)	16,740 (CZK 12,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
5	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	5,580 (CZK 4,000 thousand)	5,580 (CZK 4,000 thousand)	5,580 (CZK 4,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
6	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	13,758 (RMB 3,000 thousand)	-	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
7	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	13,695 (RMB 3,000 thousand)	13,695 (RMB 3,000 thousand)	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of December 31, 2017 were RMB1=NT$4.565 and CZK1=NT$1.395.

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.

TABLE 2

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 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 Year	Outstanding Endorsement/ Guarantee at the End of the Year	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	$ -	$ 62,690 (US$ 2,000 thousand)	$ -	$ -	$ -	-	$ -	Y	N	N
		AdvanPOS	Subsidiary	-	62,690 (US$ 2,000 thousand)	-	-	-	-	-	Y	N	N
		ANA	Subsidiary	2,758,107	940,350 (US$ 30,000 thousand)	892,800 (US$ 30,000 thousand)	-	-	3.24	8,274,321	Y	N	N
		B+B	Subsidiary	2,758,107	313,450 (US$ 10,000 thousand)	297,600 (US$ 10,000 thousand)	-	-	1.08	8,274,321	Y	N	N
		AKMC	Subsidiary	2,758,107	188,070 (US$ 6,000 thousand)	178,560 (US$ 6,000 thousand)	-	-	0.65	8,274,321	Y	N	Y
		LNC	Subsidiary	2,758,107	109,708 (US$ 3,500 thousand)	44,640 (US$ 1,500 thousand)	-	-	0.16	8,274,321	Y	N	N
		Advanixs Corp.	Subsidiary	2,758,107	50,152 (US$ 1,600 thousand)	47,616 (US$ 1,600 thousand)	-	-	0.17	8,274,321	Y	N	N
		Cermate	Subsidiary	2,758,107	48,585 (US$ 1,550 thousand)	29,760 (US$ 1,000 thousand)	-	-	0.11	8,274,321	Y	N	N
		AiST	Subsidiary	2,758,107	4,702 (US$ 150 thousand)	4,464 (US$ 150 thousand)	-	-	0.02	8,274,321	Y	N	N
		AdvanPOS	Subsidiary	2,758,107	31,345 (US$ 1,000 thousand)	29,760 (US$ 1,000 thousand)	-	-	0.11	8,274,321	Y	N	N
		A-DLoG	Subsidiary	2,758,107	35,890 (EUR 1,000 thousand)	35,570 (EUR 1,000 thousand)	-	-	0.13	8,274,321	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual 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	$ 2,758,107	$ 47,018 (US$ 1,500 thousand)	$ 44,640 (US$ 1,500 thousand)	$ -	$ -	0.16	$ 8,274,321	Y	N	N
		AAU	Subsidiary	2,758,107	6,269 (US$ 200 thousand)	5,952 (US$ 200 thousand)	-	-	0.02	8,274,321	Y	N	N
		AKR	Subsidiary	2,758,107	1,567 (US$ 50 thousand)	1,488 (US$ 50 thousand)	-	-	0.01	8,274,321	Y	N	N
		Shenzhen Cermate Technologies Inc.	Subsidiary	2,758,107	16,731 (US$ 550 thousand)	16,368 (US$ 550 thousand)	-	-	0.06	8,274,321	Y	N	Y
		Advantech LNC Dong Guan Co., Ltd.	Subsidiary	2,758,107	60,840 (US$ 2,000 thousand)	59,520 (US$ 2,000 thousand)	-	-	0.22	8,274,321	Y	N	Y

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

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

Note C: The exchange rates as of December 31, 2017 were US$1=NT$29.76 and EUR1=NT$35.57.

Note D: The latest net equity is from the financial statements for the year ended December 31, 2017.

(Concluded)

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 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	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ASUSTek Computer Inc.	-	Available-for-sale financial assets - non-current	4,739,461	$ 1,324,679	0.64	$ 1,324,679	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	94,800	2.41	94,800	Note A
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	28,879,554	360,007	-	360,007	Note B
	FSITC Money Market	-	Same as above	1,578,639	280,009	-	280,009	Note B
Advantech Corporate Investment	Stock							
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,501,000	197,579	5.03	197,579	Note A
	AzureWave Technologies, Inc.	-	Same as above	5,492,000	91,991	4.11	91,991	Note A
	Contec	-	Same as above	15,500	9,334	0.23	9,334	Note A
	BroadTec System Inc.	-	Available-for-sale financial assets - non-current	182,700	1,500	1.79	1,500	-
	BiosenseTek Corp.	-	Same as above	37,500	375	7.50	375	-
	Juguar Technology	-	Same as above	500,000	7,500	16.67	7,500	-
	Taiwan DSC PV Ltd.	-	Same as above	160,000	2,000	3.20	2,000	-
	Phison Electronics Corporation	-	Available-for-sale financial assets - current	750,000	219,000	0.38	219,000	Note A
	Xplore Technologies Corp.	-	Same as above	122,829	10,381	1.11	10,381	Note A
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	49,657,452	619,020	-	619,020	Note B
	FSITC Money Market	-	Same as above	2,926,124	519,018	-	519,018	Note B
Advanixs Corporate	Fund							
	Jih Sun Money Market	-	Same as above	40,686,999	599,218	-	599,218	Note B
	Mega Diamond Money Market	-	Same as above	7,437,828	92,718	-	92,718	Note B
AiST	Fund							
	Jih Sun Money Market	-	Same as above	6,057,244	89,208	-	89,208	Note B
LNC (formerly ALNC)	Fund							
	Mega Diamond Money Market	-	Same as above	481,926	6,008	-	6,008	Note B
	Capital Money Market	-	Same as above	499,083	8,005	-	8,005	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AdvanPOS	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	15,442,275	$ 192,500	-	$ 192,500	Note B
Advantech Innovative Design Co., Ltd.	Fund							
	Capital Money Market	-	Same as above	600,530	9,633	-	9,633	Note B
Cermate	Fund							
	Mega Diamond Money Market	-	Same as above	1,565,402	19,514	-	19,514	Note B
AiSC	Fund							
	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets measured at cost-non current	-	78,518	7.50	78,518	-

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

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note)		Disposal				Ending Balance (Note)	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	Fund													
	Capital Money Market	Available-for-sale financial assets - current	-	-	6,257,978	$ 100,000	57,235,311	$ 916,000	63,493,289	$ 1,016,513	$ 1,016,000	$ 513	-	$ -
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	24,168,481	300,021	127,827,675	1,590,000	151,996,156	1,891,872	1,890,021	1,851	-	-
	FSITC Money Market	Available-for-sale financial assets - current	-	-	1,698,386	300,000	14,552,185	2,576,000	16,250,571	2,878,210	2,876,000	2,210	-	-
	Fund													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	28,879,554	360,000	-	-	-	-	28,879,554	360,000
Advantech Corporate Investment	Fund													
	FSITC Money Market	Available-for-sale financial assets - current	-	-	2,038,341	360,000	520,024	92,000	2,558,365	453,754	452,000	1,754	-	-
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	23,861,961	296,000	25,930,564	323,000	49,792,525	620,684	619,000	1,684	-	-
	Fund													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	49,657,452	619,000	-	-	-	-	49,657,452	619,000
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	3,038,880	539,000	112,756	20,000	19,999	1	2,926,124	519,001
Advanixs Corporate	Fund													
	Jih Sun Money Market	Available-for-sale financial assets - current	-	-	38,021,440	557,118	33,850,653	497,702	71,872,093	1,057,497	1,054,820	2,677	-	-
	Fund													
	Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	40,686,999	599,197	-	-	-	-	40,686,999	599,197

TABLE 5

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AAU	Subsidiary	Sale	$ (220,309)	0.71	60-90 days	Contract price	No significant difference in terms for related parties	$ 38,731	0.62	
	B+B	Subsidiary	Sale	(149,747)	0.48	60 days after month-end	Contract price	No significant difference in terms for related parties	36,942	0.59	
	AEU	Subsidiary	Sale	(4,316,172)	13.97	30 days after month-end	Contract price	No significant difference in terms for related parties	1,363,473	21.93	
	AiSC	Subsidiary	Sale	(159,793)	0.52	45 days after month-end	Contract price	No significant difference in terms for related parties	41,117	0.66	Note A
	AJP	Subsidiary	Sale	(778,432)	2.52	60-90 days	Contract price	No significant difference in terms for related parties	151,705	2.44	
	ACN	Subsidiary	Sale	(6,039,617)	19.55	45 days after month-end	Contract price	No significant difference in terms for related parties	964,313	15.51	Note B
	AKR	Subsidiary	Sale	(917,245)	2.97	60 days after invoice date	Contract price	No significant difference in terms for related parties	73,977	1.19	
	ANA	Subsidiary	Sale	(8,255,247)	26.72	45 days after month-end	Contract price	No significant difference in terms for related parties	1,595,920	25.67	
	ASG	Subsidiary	Sale	(269,444)	0.87	60-90 days	Contract price	No significant difference in terms for related parties	68,340	1.10	
	Advanixs Corp.	Subsidiary	Sale	(599,509)	1.94	60-90 days	Contract price	No significant difference in terms for related parties	140,428	2.26	
	A-DLoG	Subsidiary	Sale	(181,312)	0.59	30 days after invoice date	Contract price	No significant difference in terms for related parties	46,969	0.76	
	AMY	Subsidiary	Sale	(188,191)	0.61	45 days after month-end	Contract price	No significant difference in terms for related parties	23,549	0.38	
	AKMC	Subsidiary	Purchase	10,519,469	48.88	Usual trade terms	Contract price	No significant difference in terms for related parties	(966,466)	21.09	
	Advanixs Corp.	Subsidiary	Purchase	1,328,501	6.17	Usual trade terms	Contract price	No significant difference in terms for related parties	(16,222)	0.35	
	AdvanPOS	Subsidiary	Purchase	1,342,553	6.24	Usual trade terms	Contract price	No significant difference in terms for related parties	(747)	0.02	
AKMC	The Company	Parent company	Sale	(10,519,469)	94.01	Usual trade terms	Contract price	No significant difference in terms for related parties	966,466	95.48	
Advanixs Corp.	The Company	Parent company	Sale	(1,328,501)	34.38	Usual trade terms	Contract price	No significant difference in terms for related parties	16,222	14.80	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AdvanPOS	The Company	Parent company	Sale	$ (1,342,553)	99.65	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 747	100.00	
AAU	The Company	Parent company	Purchase	220,309	81.12	60-90 days	Contract price	No significant difference in terms for related parties	(38,731)	81.66	
B+B	The Company	Parent company	Purchase	149,747	15.78	60 days after month-end	Contract price	No significant difference in terms for related parties	(36,942)	33.28	
AEU	The Company	Parent company	Purchase	4,316,172	80.31	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,363,473)	81.13	
AiSC	The Company	Parent company	Purchase	159,793	35.14	45 days after month-end	Contract price	No significant difference in terms for related parties	(41,117)	47.31	
AJP	The Company	Parent company	Purchase	778,432	90.57	60-90 days	Contract price	No significant difference in terms for related parties	(151,705)	93.23	
ACN	The Company	Parent company	Purchase	6,039,617	72.58	45 days after month-end	Contract price	No significant difference in terms for related parties	(964,313)	72.28	
AKR	The Company	Parent company	Purchase	917,245	61.29	60 days after invoice date	Contract price	No significant difference in terms for related parties	(73,977)	51.47	
ANA	The Company	Parent company	Purchase	8,255,247	91.20	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,595,920)	93.29	
ASG	The Company	Parent company	Purchase	269,444	75.14	60-90 days	Contract price	No significant difference in terms for related parties	(68,340)	86.69	
Advanixs Corp.	The Company	Parent company	Purchase	599,509	17.44	60-90 days	Contract price	No significant difference in terms for related parties	(140,428)	9.59	
A-DLoG	The Company	Parent company	Purchase	181,312	21.32	30 days after invoice date	Contract price	No significant difference in terms for related parties	(46,969)	54.57	
AMY	The Company	Parent company	Purchase	188,191	89.92	45 days after month-end	Contract price	No significant difference in terms for related parties	(23,549)	95.22	
Cermate	Cermate (Shenzhen)	Related enterprise	Sale	(104,225)	1.45	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
AKMC	ACN	Related enterprise	Sale	(511,855)	4.57	Usual trade terms	Contract price	No significant difference in terms for related parties	58,129	4.02	
Advanixs Corp.	AKMC	Related enterprise	Sale	(1,583,883)	40.99	Usual trade terms	Contract price	No significant difference in terms for related parties	5,597	5.11	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
LNC	Advantech LNC Dong Guan	Subsidiary	Sale	$ (267,280)	68.77	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 183,546	89.05	
ACN	AiSC	Related enterprise	Sale	(157,292)	1.64	Usual trade terms	Contract price	No significant difference in terms for related parties	17,537	0.88	
Cermate	Cermate (Shenzhen)	Related enterprise	Purchase	104,225	72.94	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
ACN	AKMC	Related enterprise	Purchase	511,855	6.15	Usual trade terms	Contract price	No significant difference in terms for related parties	(58,129)	4.36	
AKMC	Advanixs Corp.	Related enterprise	Purchase	1,583,883	15.50	Usual trade terms	Contract price	No significant difference in terms for related parties	(5,597)	0.39	
Advantech LNC Dong Guan	LNC	Parent company	Purchase	267,280	2.49	Usual trade terms	Contract price	No significant difference in terms for related parties	(183,546)	90.64	
AiSC	ACN	Related enterprise	Purchase	157,292	34.59	Usual trade terms	Contract price	No significant difference in terms for related parties	(17,537)	20.18	

Note A: Realized gain for the year was $3,460 thousand.

Note B: Unrealized gain for the year was $14,281 thousand.

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ANA	Subsidiary	$ 1,595,920	6.08	$ -	-	$ 892,800	$ -
	AEU	Subsidiary	1,363,473	3.73	-	-	725,469	-
	ACN	Subsidiary	964,313	6.76	-	-	785,179	-
	AJP	Subsidiary	151,705	4.25	-	-	89,530	-
	Advanixs Corp.	Subsidiary	140,428	4.30	-	-	139,250	-
AKMC	The Company	Parent company	966,466	8.12	-	-	216,353	-
LNC	Advantech LNC Dong Guan	Subsidiary	183,546	1.93	-	-	21,825	-

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 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 December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 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	$ 4,187,055	$ 470,086	$ 471,305	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,518,872	334,407	333,941	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	856,049	296,431	313,646	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	1,899,479	290,136	290,555	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.85	622,604	926,239	240,551	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	460,572	460,572	20,438,000	100.00	552,116	61,335	66,667	Subsidiary
	LNC (formerly ALNC)	Taichung, Taiwan	Production and sale of machines with computerized numerical control	431,634	431,634	24,350,000	81.17	492,441	10,297	8,334	Subsidiary (Note A)
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	10,447	5,663	1,616	Equity-method investee (Note A)
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	(399)	(1,036)	(1,036)	Subsidiary (Note A)
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	12,572,024	100.00	925,225	36,775	36,448	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	90,848	14,531	14,531	Subsidiary (Note A)
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	49,785	9,163	9,163	Subsidiary (Note A)
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	269,111	57,366	57,366	Subsidiary (Note A)
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	66,713	29,340	29,340	Subsidiary (Note A)
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	278,131	42,501	42,501	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	64,801	9,547	7,637	Subsidiary (Note A)
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,421	809	809	Subsidiary (Note A)
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	157,915	157,915	10,000,000	100.00	171,803	9,938	9,938	Subsidiary (Note A)
	BEMC	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	6	60.00	1,885,077	121,314	71,930	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	5,567	999,999	99.99	11,376	(3,848)	(3,848)	Subsidiary (Note A)
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	135,000	135,000	13,500,000	45.00	84,140	(55,780)	(25,101)	Equity-method investee (Note A)
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	17,280	36.00	-	(45,988)	(16,556)	Subsidiary (Note A)
	Winmate Inc.	Taipei, Taiwan	Embedded System Modules	540,000	-	12,000,000	16.62	544,960	136,205	5,333	Equity-method investee (Note A)
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	11,520	24.00	-	(45,988)	(11,037)	Subsidiary (Note A)
Advantech Corporate Investment	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	121,946	25,821	14,620	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	15,457	(1,600)	(635)	Equity-method investee (Note A)
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	75,000	-	7,500,000	20.00	72,127	(16,087)	(3,113)	Equity-method investee (Note A)
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	3,499,871	387,373	386,906	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,430,085	300,055	299,531	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,026,873	170,254	171,997	Subsidiary
ANA	BEMC	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	4	40.00	1,270,360	121,314	48,526	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	11,314,280	100.00	950,362	33,149	32,821	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	27,909	3,220	3,220	Subsidiary (Note A)
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	474,134	(34,148)	(34,475)	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	21,570	5,819	3,069	Subsidiary (Note A)
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	5,006	2,603	2,603	Subsidiary (Note A)
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	94,802	19,868	19,440	Subsidiary (Note A)
LNC (formerly ALNC)	Better Auto	BVI	General investment	244,615	264,445	8,556,096	100.00	47,086	(7,704)	(7,515)	Subsidiary (Note A)
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	42,336	(8,758)	(8,758)	Subsidiary (Note A)
BEMC	Avtek	Delaware, USA	Sale of industrial network communications systems	US$ 99,850	US$ 99,850	-	100.00	3,155,437	121,314	120,456	Subsidiary
Avtek	B+B	Delaware, USA	Sale of industrial network communications systems	US$ 99,850	US$ 99,850	384,111	100.00	3,155,437	121,314	120,456	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
B+B	BBI	Ireland	Sale of industrial network communications systems	US$ 39,481	US$ 39,481	-	100.00	$ 97,431	$ (43,735)	$ (43,735)	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	Manufacture of cellular and automation solutions	-	-	-	99.99	240,510	70,716	70,716	Subsidiary
	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	70	(6,330)	(63)	Subsidiary
	B&B DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
B&B Electronics	B+B (CZ)	Czech Republic	Manufacture of cellular and automation solutions	-	-	-	0.01	-	-	-	Subsidiary
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	6,929	(6,330)	(6,267)	Subsidiary

Note A: The entity is an immaterial subsidiary; its financial statements have not been audited, which would not result in a significant impact on the Company's financial statements.

Note B: In the first quarter of 2017, the Group made arrangement to acquire equity in AKST for US$3,800 thousand and recognized it as impairment loss in the end of 2017.

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 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	$ 1,110,048 (US$ 37,300 thousand)	$ -	$ -	$ 1,110,048 (US$ 37,300 thousand)	$ 325,934	100	$ 325,467	$ 2,998,770	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (“ACN”)	Sale of industrial automation products	US$ 4,230 thousand	Indirect	158,680 (US$ 5,332 thousand)	-	-	158,680 (US$ 5,332 thousand)	156,780	100	157,802	1,271,553	334,264 (US$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (“AiSC”)	Production and sale of industrial automation products	US$ 8,000 thousand	Indirect	238,080 (US$ 8,000 thousand)	-	-	238,080 (US$ 8,000 thousand)	(10,721)	100	(10,000) (Note A)	702,327	-
Xi’an Advantech Software Ltd. (“AXA”)	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	22,831	100	22,831 (Note A)	30,808	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	(125)	100	(125) (Note A)	14,659	-
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	RMB 99,515 thousand	Indirect	(Note G)	-	-	(Note G)	71,350	100	61,438 (Note A)	501,101	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
$1,512,760 (US$50,832 thousand) (Note E)	$2,547,456 (US$85,600 thousand)	$16,656,264 (Note I)

(Continued)

Note A: The entity is an immaterial subsidiary; its financial statements have not been audited, which would not result in a significant impact on the Company's financial statements.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in mainland China are described in Tables 5.

Note C: Remittance by AAC (HK).

Note D: Remittance by ACN.

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

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

Note G: ATC, parent company of ATC (HK), increased the share capital of ATC (HK) and ATC (HK) acquired 100% share equity of Advanixs Kun Shan Corp. from Yeh-Chiang Technology (Cayman).

Note H: The exchange rate was US$1.00=NT$29.76.

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

(Concluded)

Attachment II. The consolidated financial statements of the parent and subsidiary audited by the CPA in the most recent year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ADVANTECH CO., LTD.

By:

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K. C. LIU
Chairman

March 2, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2017 were as follows:

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

Inventories as of December 31, 2017 amounted to NT$6,242,251 thousand and accounted for 15% of the total assets in the Group's consolidated financial statements, which had a material percentage of the total assets.

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

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

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

2. Evaluated and tested the design and operating effectiveness of the internal controls over the provisions for inventory write-downs.

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

4. Verified the appropriateness of logic and parameters used in the Group's inventory aging analysis reports and selected source data to validate the accuracy of the ages of inventories in the system.

<u>Sales Revenue</u>

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

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

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

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

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

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

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

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 2, 2018

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 5,204,219	13	$ 4,637,577	12
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	3,098,846	8	113,028	-
Available-for-sale financial assets - current (Notes 4, 8 and 32)	229,381	1	2,956,586	8
Debt investments with no active market - current (Notes 4, 10 and 34)	38,908	-	10,007	-
Notes receivable (Notes 4 and 11)	1,255,781	3	965,081	2
Trade receivables (Notes 4 and 11)	6,596,030	16	6,384,834	17
Trade receivables from related parties (Note 33)	14,067	-	13,957	-
Other receivables	75,298	-	13,775	-
Inventories (Notes 4, 5 and 12)	6,242,251	15	5,597,236	15
Other current assets (Note 18)	445,791	1	489,630	1
Total current assets	23,200,572	57	21,181,711	55
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4, 8 and 32)	1,430,854	4	1,712,578	5
Financial assets measured at cost - non-current (Notes 4 and 9)	78,518	-	-	-
Investments accounted for using the equity method (Notes 4 and 14)	1,349,735	3	598,454	2
Property, plant and equipment (Notes 4, 15 and 34)	9,967,332	24	10,089,836	26
Goodwill (Notes 4, 5 and 16)	2,727,549	7	2,845,831	7
Other intangible assets (Notes 4, 5 and 17)	1,124,407	3	1,317,440	3
Deferred tax assets (Notes 4 and 24)	398,441	1	369,156	1
Prepayments for business facilities	68,440	-	47,578	-
Long-term prepayments for leases (Note 18)	312,708	1	325,224	1
Other non-current assets (Note 28)	45,213	-	51,145	-
Total non-current assets	17,503,197	43	17,357,242	45
TOTAL	$ 40,703,769	100	$ 38,538,953	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 8,400	-	$ 483,750	1
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	6,226	-	10,231	-
Notes payable and trade payables (Notes 4 and 33)	5,280,728	13	4,983,381	13
Other payables (Note 20)	3,624,710	9	3,902,499	10
Current tax liabilities (Notes 4 and 24)	1,269,165	3	1,229,400	3
Short-term warranty provisions	180,975	-	167,122	1
Other current liabilities	676,457	2	659,228	2
Total current liabilities	11,046,661	27	11,435,611	30
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	113,717	-	-	-
Deferred tax liabilities (Notes 4 and 24)	1,399,013	4	1,362,687	3
Net defined benefit liabilities (Notes 4 and 21)	237,225	1	212,360	1
Other non-current liabilities	146,713	-	141,398	-
Total non-current liabilities	1,896,668	5	1,716,445	4
Total liabilities	12,943,329	32	13,152,056	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	6,970,325	17	6,330,741	16
Advance receipts for share capital	2,500	-	100	-
Total share capital	6,972,825	17	6,330,841	16
Capital surplus	6,554,842	16	6,058,884	16
Retained earnings				
Legal reserve	5,039,962	13	4,473,276	11
Special reserve	85,204	-	-	-
Unappropriated earnings	9,297,896	23	8,435,785	22
Total retained earnings	14,423,062	36	12,909,061	33
Other equity				
Exchange differences on translation of foreign financial statements	(463,479)	(1)	(197,633)	-
Unrealized gains on available-for-sale financial assets	93,824	-	112,429	-
Total other equity	(369,655)	(1)	(85,204)	-
Total equity attributable to owners of the Company	27,581,074	68	25,213,582	65
NON-CONTROLLING INTERESTS	179,366	-	173,315	1
Total equity	27,760,440	68	25,386,897	66
TOTAL	$ 40,703,769	100	$ 38,538,953	100

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 33 and 37)				
Sales	$ 43,367,051	98	$ 40,839,800	97
Other operating revenue	1,007,700	2	1,162,398	3
Total operating revenue	44,374,751	100	42,002,198	100
OPERATING COSTS (Notes 12, 21, 23 and 33)	26,993,793	61	24,884,649	59
GROSS PROFIT	17,380,958	39	17,117,549	41
OPERATING EXPENSES (Notes 21, 23 and 33)				
Selling and marketing expenses	4,400,803	10	4,260,554	10
General and administrative expenses	2,389,863	5	2,576,210	6
Research and development expenses	3,811,815	9	3,649,292	9
Total operating expenses	10,602,481	24	10,486,056	25
OPERATING PROFIT	6,778,477	15	6,631,493	16
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 14)	218,651	1	65,562	-
Interest income	16,461	-	15,989	-
Gains on disposal of property, plant and equipment	96,885	-	289,633	1
Gains (losses) on disposal of investments	292,441	1	(4,873)	-
Foreign exchange losses, net (Notes 23 and 35)	(76,098)	-	(205,812)	-
Gains on financial instruments at fair value through profit or loss (Note 7)	207,795	-	150,982	-
Dividend income	122,220	-	132,472	-
Other income (Notes 8, 27 and 33)	95,772	-	78,855	-
Finance costs (Note 23)	(12,117)	-	(11,556)	-
Losses on financial instruments at fair value through profit or loss (Note 7)	(84,658)	-	(43,324)	-
Impairment loss (Notes 15, 16 and 17)	(112,120)	-	-	-
Other losses	(10,166)	-	(2,056)	-
Total nonoperating income	755,066	2	465,872	1
PROFIT BEFORE INCOME TAX	7,533,543	17	7,097,365	17
INCOME TAX EXPENSES (Note 24)	1,384,254	3	1,408,411	4
NET PROFIT FOR THE YEAR	6,149,289	14	5,688,954	13

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 14, 21 and 24):				
Remeasurement of defined benefit plans	$ (23,905)	-	$ (31,247)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(1,306)	-	1,574	-
Income tax related to items that will not be reclassified	4,064	-	5,312	-
Items that may be reclassified subsequently to profit or loss (Notes 4, 14, 22 and 24):				
Exchange differences on translation of foreign financial statements	(315,229)	(1)	(576,926)	(1)
Unrealized gains (losses) on available-for-sale financial assets	(18,605)	-	44,164	-
Share of the other comprehensive loss of associates	(6,919)	-	(4,135)	-
Income tax related to items that may be reclassified subsequently to profit or loss	54,450	-	96,161	-
Other comprehensive loss for the year, net of income tax	(307,450)	(1)	(465,097)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,841,839	13	$ 5,223,857	12
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 6,156,516	14	$ 5,666,862	14
Non-controlling interests	(7,227)	-	22,092	-
	$ 6,149,289	14	$ 5,688,954	14
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 5,850,991	13	$ 5,217,251	12
Non-controlling interests	(9,152)	-	6,606	-
	$ 5,841,839	13	$ 5,223,857	12

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
Basic	$ 8.84		$ 8.15	
Diluted	$ 8.77		$ 8.09	

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Issued Capital (Note 22)				Retained Earnings (Note 22)				Other Equity (Note 22)				
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 22, 23 and 26)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests (Notes 22, 28 and 29)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 6,318,531	$ -	$ 6,318,531	$ 5,587,555	$ 3,962,842	$ -	$ 7,098,449	$ 11,061,291	$ 271,859	$ 68,265	$ 23,307,501	$ 146,276	$ 23,453,777
Appropriation of the 2015 earnings													
Legal reserve	-	-	-	-	510,434	-	(510,434)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(3,791,118)	(3,791,118)	-	-	(3,791,118)	-	(3,791,118)
Recognition of employee share options by the Company	12,210	100	12,310	104,758	-	-	-	-	-	-	117,068	-	117,068
Compensation costs recognized for employee share options	-	-	-	338,194	-	-	-	-	-	-	338,194	-	338,194
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	10,533	-	-	-	-	-	-	10,533	-	10,533
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	17,844	-	-	(3,691)	(3,691)	-	-	14,153	20,433	34,586
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	5,666,862	5,666,862	-	-	5,666,862	22,092	5,688,954
Other comprehensive income (loss) for year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(24,283)	(24,283)	(469,492)	44,164	(449,611)	(15,486)	(465,097)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	-	5,642,579	5,642,579	(469,492)	44,164	5,217,251	6,606	5,223,857
BALANCE AT DECEMBER 31, 2016	6,330,741	100	6,330,841	6,058,884	4,473,276	-	8,435,785	12,909,061	(197,633)	112,429	25,213,582	173,315	25,386,897
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	-	566,686	-	(566,686)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	85,204	(85,204)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(3,988,367)	(3,988,367)	-	-	(3,988,367)	-	(3,988,367)
Share dividends on ordinary shares	633,074	-	633,074	-	-	-	(633,074)	(633,074)	-	-	-	-	-
Recognition of employee share options by the Company	6,510	2,400	8,910	68,510	-	-	-	-	-	-	77,420	-	77,420
Compensation costs recognized for employee share options	-	-	-	424,637	-	-	-	-	-	-	424,637	-	424,637
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	2,054	-	-	-	-	-	-	2,054	-	2,054
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	-	15,203	15,203
Changes in percentage of ownership interests in subsidiaries	-	-	-	757	-	-	-	-	-	-	757	-	757
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	-	-	6,156,516	6,156,516	-	-	6,156,516	(7,227)	6,149,289
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(21,074)	(21,074)	(265,846)	(18,605)	(305,525)	(1,925)	(307,450)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	6,135,442	6,135,442	(265,846)	(18,605)	5,850,991	(9,152)	5,841,839
BALANCE AT DECEMBER 31, 2017	$ 6,970,325	$ 2,500	$ 6,972,825	$ 6,554,842	$ 5,039,962	$ 85,204	$ 9,297,896	$ 14,423,062	$ (463,479)	$ 93,824	$ 27,581,074	$ 179,366	$ 27,760,440

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 7,533,543	$ 7,097,365
Adjustments to reconcile profit (loss):		
Depreciation expenses	587,293	582,040
Amortization expenses	228,062	238,048
Amortization expenses for prepayments of lease obligations	8,741	6,606
Impairment loss recognized (reversed) for trade receivables	3,030	(24,032)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(123,137)	(107,658)
Compensation costs of employee share options	424,637	338,194
Finance costs	12,117	11,556
Interest income	(16,461)	(15,989)
Dividend income	(122,220)	(132,472)
Share of profit of associates accounted for using the equity method	(218,651)	(65,562)
Gain on disposal of property, plant and equipment	(96,885)	(289,633)
Loss (gain) on disposal of investments	(292,441)	4,873
Impairment loss	112,120	-
Changes in operating assets and liabilities		
Financial assets held for trading	(2,866,686)	174,898
Notes receivable	(290,700)	5,641
Trade receivables	(193,567)	(738,014)
Trade receivables from related parties	(110)	12,807
Other receivables	(61,523)	31,402
Inventories	(614,558)	(446,618)
Other current assets	40,203	(8,478)
Notes payable and trade payables	270,599	1,569,097
Net defined benefit liabilities	960	(2,427)
Other payables	(280,286)	579,312
Short-term warranty provisions	13,853	21,476
Other current liabilities	15,583	112,933
Other non-current liabilities	5,115	(17,857)
Cash generated from operations	4,078,631	8,937,508
Interest received	16,461	15,989
Dividends received	122,220	132,472
Interest paid	(9,620)	(6,285)
Income tax paid	(1,196,403)	(1,086,369)
Net cash generated from operating activities	3,011,289	7,993,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(6,589,478)	(6,491,968)
Proceeds from sale of available-for-sale financial assets	9,872,540	5,364,552
Purchase of debt investments with no active market	-	(6,945)
Proceeds from sale of debt investments with no active market	26,485	-
Purchase of financial assets measured at cost	(77,333)	-

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Purchase of investments accounted for using the equity method	$ (615,000)	$ (135,000)
Net cash flow on the acquisition of subsidiaries	(118,847)	(1,348,172)
Dividends received from associates	75,026	88,313
Payments for property, plant and equipment	(533,741)	(1,448,423)
Proceeds from disposal of property, plant and equipment	146,582	587,468
Decrease in refundable deposits	6,858	8,038
Payments for intangible assets	(76,167)	(73,435)
Decrease in prepayments for equipment	12,820	46,599
Net cash generated from (used in) investing activities	2,129,745	(3,408,973)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(456,480)	(396,875)
Repayments of long-term borrowings	(22,733)	-
Increase (decrease) in guarantee deposits received	200	(1,540)
Payments of cash dividends	(3,988,367)	(3,791,118)
Exercise of employee share options	77,420	117,068
Increase in non-controlling interests	757	34,586
Net cash used in financing activities	(4,389,203)	(4,037,879)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(185,189)	(267,145)
NET INCREASE IN CASH AND CASH EQUIVALENTS	566,642	279,318
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,637,577	4,358,259
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 5,204,219	$ 4,637,577

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

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 2, 2018.

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

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

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

   1) Amendment to IFRS 3 "Business Combinations"

      IFRS 3 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment should be applied prospectively to business combinations with acquisition dates on or after January 1, 2017. Refer to Note 28 for information on business combinations 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 the 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 37).

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 amendments becomes effective in 2017, the short-term receivables and payables with no stated interest rates are measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) Amendments to IAS 36 “Impairment of Assets”

The amendment “Disclosures for Non-financial Assets” clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amounts of items of property, plant and equipment, goodwill, and intangible assets for which impairment loss has been recognized is the fair value less costs of disposal measured by using the present value technique, then the Company is required to disclose the discount rate. The amendment should be applied retrospectively starting from January 1, 2017. Refer to Note 15, 16 and 17 for the related disclosures.

5) 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 an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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 of the Group, 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 relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group’s respective total transaction amount or balance, such transactions 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 conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 33 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2018

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

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

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

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

2) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard 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 contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest income 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 collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest income is recognized in profit or loss by using the effective interest method, and other gains or losses 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.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss. Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments; and

c) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

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

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss - current	$ 3,098,846	$ 121,695	$ 3,220,541
Financial assets at fair value through other comprehensive income - current	-	1,617,058	1,617,058
Available-for-sale financial assets - current	229,381	(229,381)	-
Financial assets measured at amortized cost - current	-	38,908	38,908
Debt investments with no active market - current	38,908	(38,908)	-
Available-for-sale financial assets - non-current	1,430,854	(1,430,854)	-
Financial assets measured at cost - non-current	78,518	(78,518)	-
Total effect on assets	$ 4,876,507	$ -	$ 4,876,507

(Continued)

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Unappropriated earnings	$ 9,297,896	$ (32,606)	$ 9,265,290
Unrealized gain (loss) on available-for-sale financial assets	93,824	(93,824)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income - debt instruments	-	126,430	126,430
Total effect on equity	$ 9,391,720	$ -	$ 9,391,720

(Concluded)

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

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

When applying IFRS 15, the Group 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 Group satisfies a performance obligation.

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

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

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

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

4) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

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

5) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

The amendments stipulate that, when 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 over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated.

2) IFRS 16 "Leases"

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

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

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

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

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

4) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

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

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

6) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

e. Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

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 gains on bargain purchases. 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.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence.

The Group uses the equity method to account for its investments in associates.

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when such financial liabilities are either held for trading or is designated as at fair value through profit or loss. Fair value is determined in the manner described in Note 32.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

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

n. Provisions

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

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

o. Revenue recognition

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

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

Service income is recognized when services are provided.

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

3) Dividends and interest income

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

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

p. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Employee share options

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

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

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

t. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

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

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Inventory write-downs

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

b. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 70,453	$ 61,640
Checking accounts and demand deposits	4,942,396	4,350,538
Cash equivalents (time deposits with original maturities less than three months)	191,370	225,399
	$ 5,204,219	$ 4,637,577

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

	December 31	
	2017	**2016**
Demand deposits	0.0001%-6.9%	0.0001%-14.02%
Time deposits with original maturities of less than three months	1.35%-2.3%	1.35%-2.3%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets held for trading - current		
Derivative financial assets		
Foreign exchange forward contracts	$ 5,084	$ 34,348
Non-derivative financial assets		
Domestic quoted shares	289,570	78,680
Foreign quoted shares	9,334	-
Mutual funds	2,794,858	-
	$ 3,098,846	$ 113,028
Financial liabilities held for trading - current		
Derivative financial liabilities		
Foreign exchange forward contracts	$ 6,226	$ 10,231

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2016			
Sell	EUR/NTD	2018.01-2018.05	EUR14,000/NTD499,225
	EUR/USD	2018.01-2018.04	EUR1,500/USD1,805
	JPY/NTD	2018.01-2018.05	JPY500,000/NTD134,549
	RMB/NTD	2018.01-2018.03	RMB77,000/NTD346,212
December 31, 2016			
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

The Group entered into foreign exchange forward contracts during the years ended December 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

	December 31	
	2017	2016
Current		
Domestic investments		
Mutual funds	$ -	$ 2,450,232
Quoted shares	219,000	506,354
Foreign investments		
Quoted shares	10,381	-
	$ 229,381	$ 2,956,586
Non-current		
Domestic investments		
Quoted shares	$ 1,419,479	$ 1,703,203
Unlisted shares	11,375	9,375
	$ 1,430,854	$ 1,712,578

For its securities borrowings and lending transactions, the Group placed some of its quoted domestic shares, recorded under available-for-sale assets - non-current, in a trust at Chinatrust Commercial Bank during the two months ended February 28, 2017 and for the year ended December 31, 2016. The Group ended the trust of quoted domestic shares on March 31, 2017. As of December 31, 2016, the shares held in the trust amounted to $1,257,600 thousand. For such transactions, the Group recognized gains of $53 thousand for the year ended December 31, 2016. These gains were recorded under other nonoperating income.

9. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Non-current		
Private equity	$ 78,518	$ -
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 78,518	$ -

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

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Time deposits with original maturities of more than three months	$ 38,908	$ 10,007

The market interest rates of the time deposits with original maturities of more than three months were 1.00%-2.30% and 1.00%-2.50% per annum, respectively, as of December 31, 2017 and 2016.

For information on pledged debt investments with no active market, refer to Note 34.

11. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2017	2016
Notes receivable	$ 1,255,781	$ 965,081
Trade receivables	$ 6,686,485	$ 6,486,188
Less: Allowance for impairment loss	(90,455)	(101,354)
	$ 6,596,030	$ 6,384,834

Trade Receivables

The average credit period for the sales of goods was from 30 to 90 days. In determining the recoverability of a trade receivables, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 1 year because historical experience has 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 the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

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

The aging of receivables was as follows:

	December 31	
	2017	2016
Not overdue	$ 5,663,891	$ 5,524,036
Overdue		
1 to 90 days	924,551	839,609
91 to 360 days	64,669	63,558
Over 361 days	33,374	58,985
	$ 6,686,485	$ 6,486,188

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

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

	December 31	
	2017	2016
1 to 30 days	$ 763,822	$ 693,983
31 to 60 days	117,935	93,924
61 to 90 days	42,794	51,702
	$ 924,551	$ 839,609

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 17,569	$ 131,590	$ 149,159
Plus (less): Impairment losses recognized (reversed) on receivables	96	(24,128)	(24,032)
Less: Amounts written off during the period as uncollectible	(3,979)	(26,336)	(30,315)
Business combinations	-	11,918	11,918
Foreign exchange translation losses	-	(5,376)	(5,376)
Balance at December 31, 2016	13,686	87,668	101,354
Plus: Impairment losses recognized on receivables	185	2,845	3,030
Less: Amounts written off during the period as uncollectible	(12,158)	(1,575)	(13,733)
Business combinations	-	37	37
Foreign exchange translation losses	-	(233)	(233)
Balance at December 31, 2017	$ 1,713	$ 88,742	$ 90,455

The Group recognized impairment losses on trade receivables amounting to $1,432 thousand as of December 31, 2016. This amount mainly related to customers that were in the process of liquidation or experiencing severe financial difficulties. The Group did not hold any collateral over these balances.

12. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 3,122,276	$ 1,991,477
Work in process	1,235,097	1,033,831
Finished goods	1,335,817	1,922,816
Inventories in transit	549,061	649,112
	$ 6,242,251	$ 5,597,236

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2017 and 2016 were $26,610,027 thousand and $24,517,651 thousand, respectively.

The costs of inventories decreased by $577,528 thousand and $538,855 thousand as of December 31, 2017 and 2016, respectively, when stated at the lower of cost or net realizable value.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

			% of Ownership		
			December 31		
Investor	Investee	Nature of Activities	2017	2016	Remark
The Company	AAC (BVI)	Investment and management services	100.00	100.00	
	ATC	Sale of industrial automation products	100.00	100.00	
	Advanixs Corporation	Production and sale of industrial automation products	100.00	100.00	
	Advantech Corporate Investment	Investment holding company	100.00	100.00	
	AEUH	Investment and management services	100.00	100.00	
	ASG	Sale of industrial automation products	100.00	100.00	a
	AAU	Sale of industrial automation products	100.00	100.00	a
	AJP	Sale of industrial automation products	100.00	100.00	a
	AMY	Sale of industrial automation products	100.00	100.00	a
	AKR	Sale of industrial automation products	100.00	100.00	
	ABR	Sale of industrial automation products	80.00	80.00	a
	AIN	Sale of industrial automation products	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	
	LNC (formerly ALNC)	Production and sale of machines with computerized numerical controls	81.17	81.17	a
	AMX	Sale of industrial automation products	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	a
	BEMC	Sale of industrial network communications systems	60.00	60.00	
	AiST	Design, develop and sale of intelligent services	100.00	100.00	a
	AKST	Production and sale of intelligent medical displays	36.00	-	a, b
AKR	AKST	Production and sale of intelligent medical displays	24.00	-	a, b
Advantech Corporate Investment	Cermate	Manufacturing of electronic parts, computers, and peripheral devices	55.00	55.00	
ATC	ATC (HK)	Investment and management services	100.00	100.00	
ATC (HK)	AKMC	Production and sale of components of industrial automation products	100.00	100.00	
	Advanixs Kun Shan Corp.	Production and sale of industrial automation products	100.00	100.00	a
AAC (BVI)	ANA	Sale and fabrication of industrial automation products	100.00	100.00	
	AAC (HK)	Investment and management services	100.00	100.00	
ANA	BEMC	Sale of industrial network communications systems	40.00	40.00	
AAC (HK)	ACN	Sale of industrial automation products	100.00	100.00	
	AiSC	Production and sale of industrial automation products	100.00	100.00	a
	AXA	Development and production of software products	100.00	100.00	a
ACN	Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	100.00	100.00	a
AEUH	AEU	Sale of industrial automation products	100.00	100.00	
	APL	Sale of industrial automation products	100.00	100.00	a
AEU	A-DLoG	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	
ASG	ATH	Production of computers	51.00	51.00	a
	AID	Sale of industrial automation products	100.00	100.00	a
Cermate	Land Mark	General investment	100.00	100.00	a

(Continued)

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

(Concluded)

Remark a: Non-significant subsidiaries and their financial statements were not audited. Management of the Group believes that there would not be material impacts had the financial statements of these subsidiaries been audited.

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31 2017	2016
Associates that are not individually material		
Listed companies		
Axiomtek Co., Ltd. ("Axiomtek")	$ 622,604	$ 464,155
Winmate Inc. ("Winmate")	544,960	-
Unlisted companies		
AIMobile Co., Ltd. ("AIMobile")	84,140	109,241
Deneng Scientific Research Co., Ltd. ("Deneng")	15,457	16,154
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	10,447	8,904
CDIB Innovation Accelerator Co., Ltd. ("CDIB")	72,127	-
	$ 1,349,735	$ 598,454

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

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

Aggregate Information of Associates That Are Not Individually Material

	For the Year Ended December 31	
	2017	**2016**
The Group's share of:		
Profit from continuing operations	$ 218,651	$ 65,562
Other comprehensive loss	(8,225)	(2,561)
Total comprehensive income for the year	$ 210,426	$ 63,001

Except for Axiomtek, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the associates which have been audited.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
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	64,688	181,539	78,609	69,265	154,789	815,342	1,364,232
Disposals	(187,992)	(101,971)	(68,301)	(45,139)	(73,966)	-	(477,369)
Acquisitions through business combinations	12,644	308,798	84,400	89,771	25,390	-	521,003
Reclassifications	-	1,561,057	50,897	9,934	27,200	(1,686,836)	(37,748)
Effect of foreign currency exchange differences	(9,024)	(217,424)	(47,507)	(31,717)	(61,221)	(345)	(367,238)
Balance at December 31, 2016	$ 2,948,580	$ 7,080,989	$ 1,631,738	$ 862,409	$ 1,605,230	$ 43,289	$ 14,172,235
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 1,046,061	$ 1,063,028	$ 545,767	$ 937,620	$ -	$ 3,592,476
Depreciation expenses	-	169,334	124,565	100,139	188,002	-	582,040
Disposals	-	(19,099)	(61,429)	(40,515)	(58,491)	-	(179,534)
Acquisitions through business combinations	-	88,296	61,837	82,180	4,771	-	237,084
Reclassifications	-	488	(3,692)	(19,369)	18,998	-	(3,575)
Effect of foreign currency exchange differences	-	(56,407)	(28,640)	(23,767)	(37,278)	-	(146,092)
Balance at December 31, 2016	$ -	$ 1,228,673	$ 1,155,669	$ 644,435	$ 1,053,622	$ -	$ 4,082,399
Carrying amounts at December 31, 2016	$ 2,948,580	$ 5,852,316	$ 476,069	$ 217,974	$ 551,608	$ 43,289	$ 10,089,836
Cost							
Balance at January 1, 2017	$ 2,948,580	$ 7,080,989	$ 1,631,738	$ 862,409	$ 1,605,230	$ 43,289	$ 14,172,235
Additions	-	196,264	48,483	60,256	143,068	85,670	533,741
Disposals	(22,017)	(13,424)	(120,407)	(93,374)	(46,807)	(1,387)	(297,416)
Acquisitions through business combinations	29,007	44,460	24,903	6,163	4,952	-	109,485
Reclassifications	-	6,716	55,809	6,002	39,873	(123,521)	(15,121)
Effect of foreign currency exchange differences	(11,590)	(40,459)	(5,601)	(10,833)	(16,734)	206	(85,011)
Balance at December 31, 2017	$ 2,943,980	$ 7,274,546	$ 1,634,925	$ 830,623	$ 1,729,582	$ 4,257	$ 14,417,913
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	-	193,563	115,809	86,120	191,801	-	587,293
Disposals	-	(5,741)	(111,114)	(85,344)	(45,520)	-	(247,719)
Acquisitions through business combinations	-	741	15,453	4,671	3,948	-	24,813
Reclassifications	-	5,295	5,571	7,724	1,506	-	20,096

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Impairment losses	$ -	$ -	$ 7,183	$ 1,031	$ 542	$ -	$ 8,756
Effect of foreign currency exchange differences	-	(7,835)	(2,077)	(7,393)	(7,752)	-	(25,057)
Balance at December 31, 2017	$ -	$ 1,414,696	$ 1,186,494	$ 651,244	$ 1,198,147	$ -	$ 4,450,581
Carrying amounts at December 31, 2017	$ 2,943,980	$ 5,859,850	$ 448,431	$ 179,379	$ 531,435	$ 4,257	$ 9,967,332

(Concluded)

The actual sales growth post the business combination of AKST, a subsidiary of the Company, did not turn out as expected; AKST had continuous losses for the year ended December 31, 2017. In addition, the forecasted future operations of AKST are not optimistic. Hence, the estimated future cash flows expected to arise from the related equipment of AKST decreased. The Group carried out a review of the recoverable amount of the related assets and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of $8,756 thousand, which was recognized in other gains and losses for the year ended December 31, 2017.

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

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

Property, plant and equipment pledged as collateral for borrowings are set out in Note 34.

16. GOODWILL

	For the Year Ended December 31	
	2017	2016
Cost		
Balance at January 1	$ 2,845,831	$ 1,139,559
Additional amounts recognized from business combinations occurring during the year (Note 28)	79,713	2,311,181
Adjustments for goodwill after acquisition	18,075	(543,042)
Effect of foreign currency exchange differences	(114,661)	(61,867)
Balance at December 31	$ 2,828,958	$ 2,845,831
Accumulated impairment losses		
Balance at January 1	$ -	$ -
Impairment losses recognized during the year	(97,788)	-
Effect of foreign currency exchange differences	(3,621)	-
Balance at December 31	$ (101,409)	$ -
Carry amount at December 31	$ 2,727,549	$ 2,845,831

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

In the fourth quarter of 2016, the Group obtained an evaluation report which stated that the total fair value of 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 of B+B. 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 adjustments	$ 2,311,181	$ 1,768,139
Cash and cash equivalents	-	71,336
Trade receivables	211,332	188,827
Inventories	301,938	281,758
Other current financial assets	33,010	-
Other current assets	30,446	17,935
Intangible assets	416,365	1,294,933
Deferred tax assets	35,125	153,651
Trade payables and other payables	(135,526)	(188,215)
Other liabilities	(10,730)	-
Deferred tax liabilities	(30,126)	(425,349)

17. OTHER INTANGIBLE ASSETS

	Trademarks	**Client Relationships**	**Technology Licenses**	**Others**	**Total**
Cost					
Balance at January 1, 2016	$ 78,939	$ 119,860	$ 109,016	$ 493,883	$ 801,698
Additions	-	-	-	79,243	79,243
Disposals	-	-	-	(1,750)	(1,750)
Acquisitions through business combinations	461,704	419,005	340,309	73,915	1,294,933
Effect of foreign currency exchange differences	(14,987)	(16,261)	(13,852)	(27,324)	(72,424)
Balance at December 31, 2016	$ 525,656	$ 522,604	$ 435,473	$ 617,967	$ 2,101,700
Accumulated amortization and impairment					
Balance at January 1, 2016	$ -	$ 84,914	$ 97,153	$ 391,945	$ 574,012
Amortization expenses	-	43,426	93,797	100,825	238,048

(Continued)

	Trademarks	Client Relationships	Technology Licenses	Others	Total
Disposals	$ -	$ -	$ -	$ (1,691)	$ (1,691)
Effect of foreign currency exchange differences	-	(3,995)	(4,832)	(17,282)	(26,109)
Balance at December 31, 2016	$ -	$ 124,345	$ 186,118	$ 473,797	$ 784,260
Carrying amounts at December 31, 2016	$ 525,656	$ 398,259	$ 249,355	$ 144,170	$ 1,317,440
Cost					
Balance at January 1, 2017	$ 525,656	$ 522,604	$ 435,473	$ 617,967	$ 2,101,700
Additions	-	-	-	77,986	77,986
Disposals	-	-	-	(211,991)	(211,991)
Acquisitions through business combinations	-	-	-	9,921	9,921
Effect of foreign currency exchange differences	(31,152)	(26,027)	(20,595)	(37,243)	(115,017)
Balance at December 31, 2017	$ 494,504	$ 496,577	$ 414,878	$ 456,640	$ 1,862,599
Accumulated amortization and impairment					
Balance at January 1, 2017	$ -	$ 124,345	$ 186,118	$ 473,797	$ 784,260
Amortization expenses	-	29,259	58,825	139,978	228,062
Disposals	-	-	-	(211,707)	(211,707)
Impairment losses recognized	-	-	-	5,576	5,576
Effect of foreign currency exchange differences	-	2,936	(2,642)	(68,293)	(67,999)
Balance at December 31, 2017	$ -	$ 156,540	$ 242,301	$ 339,351	$ 738,192
Carrying amounts at December 31, 2017	$ 494,504	$ 340,037	$ 172,577	$ 117,289	$ 1,124,407

(Concluded)

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Customers relationships	4-15 years
Technology licenses	5-8 years
Others	1-5 years

The actual sales growth post the business combination of AKST, a subsidiary of the Company, did not turn out as expected; AKST had continuous losses for the year ended December 31, 2017. An impairment loss for intangible assets amounted to $5,576 thousand and was recognized for the year ended December 31, 2017.

18. PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
Current assets (included in other current assets)	$ 8,854	$ 8,955
Non-current assets	312,708	325,224
	$ 321,562	$ 334,179

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

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Bank loans	$ 8,400	$ -
Unsecured borrowings		
Line of credit borrowings	-	483,750
	$ 8,400	$ 483,750

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

b. Long-term borrowings

	December 31, 2017
Secured borrowings	
Bank loans	$ 50,258
Other loans	63,459
Long-term borrowings	$ 113,717

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

Other borrowings are loans from the government. As of December 31, 2017, the effective interest rate was 2.91%-3.16% per annum.

With demand of borrowings, the Group pledged time deposits, freehold land and buildings (refer to Note 34).

20. OTHER LIABILITIES

	December 31	
	2017	2016
Other payables		
Payables for salaries or bonuses	$ 2,324,441	$ 2,248,870
Payables for employee benefits	180,617	151,115
Payables for royalties	118,347	179,207
Others (Note)	1,001,305	1,323,307
	$ 3,624,710	$ 3,902,499

Note: Including marketing expenses and freight expenses.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

For certain subsidiaries with a few or no employees, they have not established a set of policies for employee retirement and therefore not recognized related retirement expenses.

Except for those aforementioned subsidiaries, the rest of overseas subsidiaries recognized retirement expenses when making contribution to the retirement plan in accordance with local laws.

b. Defined benefit plans

The defined benefit plan adopted by the Company and Cermate of the Group in accordance with the Labor Standards Law, is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Cermate Technologies Inc. each contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by pension fund monitoring committees. Pension contributions are deposited in the Bank of Taiwan in the committees' name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 373,581	$ 347,702
Fair value of plan assets	(136,356)	(135,342)
Deficit	237,225	212,360
Net defined benefit liabilities	$ 237,225	$ 212,360

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2016	$ 332,269	$ (148,729)	$ 183,540
Service cost			
Current service cost	2,645	-	2,645
Net interest expense (income)	5,405	(2,486)	2,919
Recognized in profit or loss	8,050	(2,486)	5,564
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,436	1,436
Actuarial loss - changes in demographic assumptions	8,543	-	8,543
Actuarial loss - changes in financial assumptions	10,671	-	10,671
Actuarial loss - experience adjustments	10,597	-	10,597
Recognized in other comprehensive income	29,811	1,436	31,247
Contributions from the employer	-	(7,991)	(7,991)
Benefits paid	(22,428)	22,428	-
Balance at December 31, 2016	347,702	(135,342)	212,360
Current service cost	2,137	-	2,137
Past service cost	4,589	-	4,589
Net interest expense (income)	4,787	(1,920)	2,867
Recognized in profit or loss	11,513	(1,920)	9,593
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	542	542
Actuarial loss - changes in demographic assumptions	20,380	-	20,380
Actuarial loss - experience adjustments	2,983	-	2,983
Recognized in other comprehensive income	23,363	542	23,905
Contributions from the employer	-	(8,633)	(8,633)
Benefits paid	(8,997)	8,997	-
Balance at December 31, 2017	$ 373,581	$ (136,356)	$ 237,225

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 1,192	$ 1,238
Selling and marketing expenses	1,464	868
General and administrative expenses	1,452	1,497
Research and development expenses	5,485	1,961
	$ 9,593	$ 5,564

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate(s)	1.375%-1.500%	1.375%-1.500%
Expected rate(s) of salary increase	3.000%-3.250%	3.000%-3.250%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (11,389)	$ (10,878)
0.25% decrease	$ 11,878	$ 11,353
Expected rate(s) of salary increase		
0.25% increase	$ 11,472	$ 10,963
0.25% decrease	$ (11,062)	$ (10,564)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	**2016**
Expected contributions to the plan for the next year	$ 1,945	$ 8,035
Average duration of the defined benefit obligation	12.6-15.5 years	12.7-16.2 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	800,000	800,000
Shares authorized	$ 8,000,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	697,283	633,084
Shares issued	$ 6,972,825	$ 6,330,841

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 share dividends to be distributed and employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 3,396,888	$ 3,396,888
Conversion of bonds	931,849	931,849
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	17,844	17,844
May be used to offset a deficit only		
Changes in percentage of ownership interests in subsidiaries (2)	5,003	4,246
Employee share options	1,241,557	1,077,084
Employees' share compensation	78,614	78,614
May not be used for any purpose		
Share of changes in capital surplus of associates	25,285	23,231
Employee share options	857,802	529,128
	$ 6,554,842	$ 6,058,884

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

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

c. Retained earnings and dividends policy

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 dividends distribution and the addition of the policy on the distribution of employees' compensation and remuneration of directors and supervisors.

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23, d.

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

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

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

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

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

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

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	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 2017 had been proposed by the Company's board of directors on March 2, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 615,651	$ -
Special reserve	284,451	-
Cash dividends	4,600,414	6.6

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on May 24, 2018.

d. Special reserves

	For the Year Ended December 31, 2017
Beginning at January 1	$ -
Reversal of debits to other equity items	85,204
Balance at December 31	$ 85,204

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (197,633)	$ 271,859
Exchange differences on translation of foreign financial statements	(313,377)	(561,518)
Related income tax	54,450	96,161
Share of exchange difference of associates accounted for using the equity method	(6,919)	(4,135)
Balance at December 31	$ (463,479)	$ (197,633)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 112,429	$ 68,265
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	273,836	39,048
Cumulative gain (loss) reclassified to profit or loss on sale of available-for-sale financial assets	(292,441)	5,116
Balance at December 31	$ 93,824	$ 112,429

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 173,315	$ 146,276
Attributable to non-controlling interests:		
Share of profit (loss) for the year	(7,227)	22,092
Exchange difference on translation of foreign financial statements	(1,852)	(15,408)
Remeasurement on defined benefit plans	(88)	(94)
Related income tax	15	16
Non-controlling interests arising from acquisition or disposal of subsidiaries (Note 28 and 29)	15,203	20,433
Balance at December 31	$ 179,366	$ 173,315

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 7,193	$ 5,531
Others	4,924	6,025
	$ 12,117	$ 11,556

b. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 587,293	$ 582,040
Intangible assets	228,062	238,048
	$ 815,355	$ 820,088
An analysis of depreciation by function		
Operating costs	$ 148,165	$ 137,801
Operating expenses	439,128	444,239
	$ 587,293	$ 582,040
An analysis of amortization by function		
Operating costs	$ 5,011	$ 285
Selling and marketing expenses	196	139
General and administrative expenses	191,842	208,345
Research and development expenses	31,013	29,279
	$ 228,062	$ 238,048

c. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Short-term benefits	$ 7,809,270	$ 7,773,378
Post-employment benefits		
Defined contribution plans	284,432	282,136
Defined benefit plans (Note 21)	9,593	5,564
	294,025	287,700
Share-based payments		
Equity-settled	424,637	338,194
Other employee benefits	604,702	506,596
Total employee benefits expense	$ 9,132,634	$ 8,905,868
An analysis of employee benefits expense by function		
Operating costs	$ 2,052,280	$ 1,918,455
Operating expenses	7,080,354	6,987,413
	$ 9,132,634	$ 8,905,868

d. Employees' compensation and remuneration of directors and supervisors

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. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 2, 2018 and March 6, 2017, respectively, were as follows:

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year 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 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains	$ 871,608	$ 860,893
Foreign exchange losses	(947,706)	(1,066,705)
Net loss	$ (76,098)	$ (205,812)

24. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 1,284,064	$ 1,227,483
Income tax on unappropriated earnings	37,047	72,178
Adjustments for prior year	(3,954)	(1,702)
	1,317,157	1,297,959
Deferred tax		
In respect of the current year	15,786	110,452
Adjustments to deferred tax attributable to changes in tax rates and laws	51,311	-
	67,097	110,452
Income tax expense recognized in profit or loss	$ 1,384,254	$ 1,408,411

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	$ 7,533,543	$ 7,097,365
Income tax expense calculated at the statutory rate	$ 1,691,459	$ 1,630,913
Nondeductible expenses in determining taxable income	544	686
Tax-exempt income	(264,323)	(196,715)
Income tax on unappropriated earnings	37,047	72,178
Land value increment tax	7,733	7,833
Investment credits in the current year	(86,891)	(88,558)
Loss carryforwards in the current year	(7,859)	(16,594)
Unrecognized deductible temporary differences	11,174	119
Adjustments for prior years' tax	(3,954)	(1,702)
Others	(676)	251
Income tax expense recognized in profit or loss	$ 1,384,254	$ 1,408,411

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%, except for subsidiaries qualified for 15% preferential tax rate for Hi-Tech Industries. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $41,906 thousand and $207,914 thousand, respectively, in 2018.

In December 2017, the United States amended the Income Tax Law, which reduces a profit-seeking enterprise's federal income tax rate from 35% to 21%, effective 2017.

As the status of the 2018 appropriations of earnings is uncertain, the potential income tax consequences of 10% income tax rate of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ 54,450	$ 96,161
Remeasurement on defined benefit plans	4,064	5,312
	$ 58,514	$ 101,473

c. Current tax liabilities

	December 31	
	2017	**2016**
Current tax liabilities		
Income tax payable	$ 1,269,165	$ 1,229,400

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Business Combination	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 44,996	$ 30,880	$ -	$ -	$ 75,876
Unrealized loss on inventory write-downs	74,052	(24,876)	-	-	49,176
Exchange differences on translation of foreign financial statements	45,115	(4,485)	54,450	-	95,080
Loss carryforwards	88,481	(43,009)	-	-	45,472
Defined benefit obligation	16,524	(1,101)	-	-	15,423
Unrealized exchange losses	1,615	1,392	-	-	3,007
Unrealized warranty liabilities	20,618	3,454	-	-	24,072
Remeasurement of defined benefit plans	11,544	(64)	4,064	-	15,544

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Business Combination	Closing Balance
Allowance for impaired receivables	$ 436	$ 4,068	$ -	$ -	$ 4,504
Others	65,775	305	-	4,207	70,287
	$ 369,156	$ (33,436)	$ 58,514	$ 4,207	$ 398,441
Deferred tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 990,571	$ 179,852	$ -	$ -	$ 1,170,423
Remeasurement of defined benefit plans	3,646	(255)	-	-	3,391
Exchange differences on translation of foreign financial statements	-	12,853	-	-	12,853
Unrealized exchange losses (gains)	2,827	(2,443)	-	-	384
Property, plant and equipment	9,783	(3,934)	-	-	5,849
Intangible assets and goodwill	355,416	(150,158)	-	-	205,258
Others	444	(2,254)	-	2,665	855
	$ 1,362,687	$ 33,661	$ -	$ 2,665	$ 1,399,013

(Concluded)

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Business Combination	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 56,143	$ (11,147)	$ -	$ -	$ 44,996
Unrealized loss on inventory write-downs	49,486	2,084	-	22,482	74,052
Exchange differences on translation of foreign financial statements	-	4,636	40,479	-	45,115
Loss carryforwards	-	(32,726)	-	121,207	88,481
Defined benefit obligation	16,915	(391)	-	-	16,524
Unrealized exchange losses (gains)	8,501	(6,886)	-	-	1,615
Unrealized warranty liabilities	26,019	(5,401)	-	-	20,618
Remeasurement of defined benefit plans	6,232	-	5,312	-	11,544
Allowance for impaired receivables	2,982	(3,568)	-	1,022	436
Others	51,711	(2,524)	-	16,588	65,775
	$ 217,989	$ (55,923)	$ 45,791	$ 161,299	$ 369,156
Deferred tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 875,958	$ 114,613	$ -	$ -	$ 990,571
Exchange differences on translation of foreign financial statements	55,682	-	(55,682)	-	-
Remeasurement of defined benefit plans	3,646	-	-	-	3,646
Unrealized exchange gains	823	2,004	-	-	2,827
Property, plant and equipment	-	(1,593)	-	11,376	9,783
Intangible assets and goodwill	-	(50,833)	-	406,249	355,416
Others	2,382	(9,662)	-	7,724	444
	$ 938,491	$ 54,529	$ (55,682)	$ 425,349	$ 1,362,687

e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2017	$ -	$ 18,360
Expire in 2022	-	2,295
Expire in 2024	3,056	18,359
Expire in 2025	-	9,424
Expire in 2026	24,165	-
	$ 27,221	$ 48,438

f. Information about unused investment credits

As of December 31, 2017, investment tax credits comprised:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 420	2017

g. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	$ 9,297,896	$ 8,435,785
Shareholder-imputed credit accounts	$ 945,178	$ 777,620

	For the Year Ended December 31	
	2017 (Expected)	2016
Creditable ratio for distribution of earnings	Note	14.16%

Note: Since the amended Income Tax Act which was announced in February 2018 and effective thereof, the imputation tax system has been abolished, the related information is not applicable in 2017.

h. Income tax assessments

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

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	$ 8.84	$ 8.15
Diluted earnings per share	$ 8.77	$ 8.09

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 8, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 8.96	$ 8.15
Diluted earnings per share	$ 8.90	$ 8.09

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Earnings used in the computation of basic earnings per share	$ 6,156,516	$ 5,666,862
Earnings used in the computation of diluted earnings per share	$ 6,156,516	$ 5,666,862

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

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	696,802	695,475
Effect of potentially dilutive ordinary shares:		
Employee share options	3,949	4,046
Employees' compensation	1,479	1,118
Weighted average number of ordinary shares used in the computation of diluted earnings per share	702,230	700,639

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

26. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 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 prices of those granted in 2016 and 2014 were both NT$100 per share. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options will be adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2017		2016	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	10,269	$ 98.20	5,000	$100.00
Options granted	-	-	6,500	100.00
Options exercised	(891)	86.89	(1,231)	95.10
Balance at December 31	9,378	95.15	10,269	98.20
Options exercisable, end of year	2,878	84.20	3,769	95.10
Weighted-average fair value of options granted (NT$)	-		95.10	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2017 and 2016 were from NT$204 to NT$266 and from NT$204 to NT$269, respectively.

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

	For the Year 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	$ 88.50	4.45	$ 100.00	5.45
Issuance in 2014	84.20	2.63	95.10	3.63

Options granted were priced using the Black-Scholes pricing 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%	28.18%-29.19%
Expected life (in years)	4-5.5	4-5.5
Expected dividends yield	0%	0%
Risk-free interest rate	0.52%-0.65%	1.07%-1.30%

Expected volatility was based on the historical share price volatility over the past 5 years.

Compensation costs recognized were $424,637 thousand and $338,194 thousand for the years ended December 31, 2017 and 2016, respectively.

27. GOVERNMENT GRANTS

In 2017, the Group participated in a governmental project plan and received a government grant of $12,005 thousand. The amount was recognized as other income.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

Note: For more information on BEMC Holdings Corporation, Avtek Corporation and B+B and its subsidiaries B&B IMC. LLC, Quatech, LLC, B+B SmartWorx Limited, B&B Electronics Holdings LLC, B&B SmartWorx DMCC, Advantech B+B SmartWorx s.r.o. CZ and Conel Automation s.r.o. CZ, refer to Note 13, Table 7 and Table 9.

The Group’s market strategy is to develop R&D technology of global medical displays. The Group acquired 60% of the share equity of Kostec Co., Ltd. (“AKST”) to expand its global intelligent medical market.

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

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

b. Consideration transferred

	AKST	B+B	Advanixs Kun Shan
Cash	$ 120,592	$ 3,296,048	$ 459,648
Contingent consideration arrangement	30,420	-	-
	$ 151,012	$ 3,296,048	$ 459,648
	(US$4,800 thousand)	(US$99,850 thousand)	(US$92,758 thousand)

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

2) Under a contingent consideration arrangement, the Group is required to pay the seller an additional US$500 thousand in 2017 and 2018, respectively, if AKST's revenue exceeds the agreed amount.

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

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

5) Acquisition-related costs amounting to $33,476 thousand were excluded from the consideration transferred and were recognized as current expenses under administrative expenses in the consolidated statement of comprehensive income.

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

	AKST	B+B	Advanixs Kun Shan
Current assets			
Cash and cash equivalents	$ 1,745	$ 71,336	$ 35,047
Trade receivables	20,426	188,827	-
Inventories	30,457	281,758	-
Debt investments with no active market - current	54,324	-	-
Other receivables	-	-	4,366
Other current assets	2,877	17,935	19
Non-current assets			
Plant and equipment	84,672	133,033	150,886
Intangible assets	9,921	1,294,933	-

(Continued)

	AKST	B+B	Advanixs Kun Shan
Deferred tax assets	$ 4,207	$ 153,651	$ 7,648
Long-term prepayments for leases	-	-	262,212
Other non-current assets	926	-	-
Current liabilities			
Short-term borrowings	(8,100)	-	-
Trade and other payables	(26,748)	(188,215)	(530)
Current portion of long-term borrowings	(22,733)	-	-
Other current liabilities	(1,646)	-	-
Non-current liabilities			
Long-term borrowings	(109,656)	-	-
Deferred tax liabilities	(2,665)	(425,349)	-
	$ 38,007	$ 1,527,909	$ 459,648

(Concluded)

d. Non-controlling interests

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

e. Goodwill recognized on acquisitions

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

The goodwill recognized in the acquisitions of AKST and B+B mainly represents the control premium included in the costs of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces 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 acquisitions of subsidiaries

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

g. Impact of acquisitions on the results of the Group

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

	2017	2016	
	AKST	B+B	Advanixs Kun Shan
Revenue	$ 147,194	$ 1,614,067	$ 222,271
Profit (loss)	$ (45,988)	$ 53,173	$ 29,532

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

a. In the first and third quarters of 2016, the Group acquired 0.07% and sold 8.83% of the equity in LNC, respectively, decreasing the Group's equity interest from 89.93% to 81.17%.

b. In the first quarter of 2016, the Group acquired 40% of the 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 Year Ended December 31, 2016		
	Hangzhou Advantofine Automation Tech. Co., Ltd.	LNC	Total
Cash consideration received (paid)	$ (12,749)	$ 47,335	$ 34,586
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	9,195	(29,628)	(20,433)
Differences recognized from equity transactions	$ (3,554)	$ 17,707	$ 14,153
Line items adjusted for equity transactions			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ -	$ 17,844	$ 17,844
Retained earnings	(3,554)	(137)	(3,691)
	$ (3,554)	$ 17,707	$ 14,153

30. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Lease arrangements

The Group leased offices in the U.S.A., Europe and Japan from third parties; the lease contracts, which will end between 2012 and 2017, are renewable upon expiry.

As of December 31, 2017 and 2016, refundable deposits (recognized as other non-current assets) for the operating leases were $25,812 thousand and $20,030 thousand, respectively.

Recognized as expenses

	For the Year Ended December 31	
	2017	2016
Rental expenses	$ 147,187	$ 186,253

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in both 2017 and 2016.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity, and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued.

32. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 5,084	$ -	$ 5,084
Non-derivative financial assets held for trading	298,904	-	-	298,904
Mutual funds	2,794,858	-	-	2,794,858
	$ 3,093,762	$ 5,084	$ -	$ 3,098,846

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,638,479	$ -	$ -	$ 1,638,479
Unlisted securities - ROC				
Equity securities	-	-	11,375	11,375
Securities listed in other countries				
Equity securities	10,381	-	-	10,381
	$ 1,648,860	$ -	$ 11,375	$ 1,660,235
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 6,226	$ -	$ 6,226

(Concluded)

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	78,680	-	-	78,680
	$ 78,680	$ 34,348	$ -	$ 113,028
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	2,450,232	-	-	2,450,232
	$ 4,659,789	$ -	$ 9,375	$ 4,669,164
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 10,231	$ -	$ 10,231

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

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

For the year ended December 31, 2017

	Available-for-sale Financial Assets	
	Equity Instruments	Total
Financial assets		
Balance at January 1, 2017	$ 9,375	$ 9,375
Purchase	2,000	2,000
Balance at December 31, 2017	$ 11,375	$ 11,375

For the year ended December 31, 2016

	Available-for-sale Financial Assets	
	Equity Instruments	Total
Financial assets		
Balance at January 1, 2016	$ 42,632	$ 42,632
Sales	(33,257)	(33,257)
Balance at December 31, 2016	$ 9,375	$ 9,375

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

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

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

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

b. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading (Note 1)	$ 3,098,846	$ 113,028
Loans and receivables (Note 2)	13,184,303	12,025,231
Available-for-sale financial assets (Note 3)	1,738,753	4,669,164

(Continued)

	December 31	
	2017	2016
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 6,226	$ 10,231
Measured at amortized cost (Note 4)	9,027,555	9,369,630

(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 include the carrying amount of available-for-sale financial assets measured at cost.

Note 4: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable and trade payables, other payables and long-term borrowings.

c. Financial risk management objectives and policies

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

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

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

1) Market risk

The Group's activities exposed it primarily to financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk 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 exchange contracts were less than six months. These foreign exchange forward contracts did not meet the criteria for hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 35. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

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

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

	U.S. Dollar Impact		**Euro Impact**		**Renminbi Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Profit or loss	$108,887 (Note 1)	$ 41,430 (Note 1)	$ 57,967 (Note 2)	$ 41,829 (Note 2)	$ 23,642 (Note 3)	$ 39,920 (Note 3)

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

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

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

b) Interest rate risk

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

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

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

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 230,278	$ 235,400
Financial liabilities	42,698	-
Cash flow interest rate risk		
Financial assets	4,452,477	3,923,166
Financial liabilities	79,419	483,750

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 years ended December 31, 2017 and 2016 would have increased by $21,865 thousand and $17,197 thousand, respectively. Had interest rates been 50 basis points lower for the same years, the Group's pre-tax profit would have decreased by the same respective amounts. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profits for the years ended December 31, 2017 and 2016 would have increased by $2,989 thousand and $787 thousand, respectively, as a result of changes in the fair value of held-for-trading investments and the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have increased by $16,489 thousand and $22,096 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower for the same years, the pre-tax profit and other comprehensive income for would have decreased by the same respective amounts.

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 as 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 December 31, 2017 and 2016, the Group had available unutilized short-term bank loan facilities set out in section (c) below.

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

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

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

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

December 31, 2017

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

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 7,013,061	$ 855,392	$ 1,017,427	$ -
Variable interest rate liabilities	534	1,067	488,554	-
	$ 7,013,595	$ 856,459	$ 1,505,981	$ -

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

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

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

December 31, 2017

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

December 31, 2016

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

c) Financing facilities

	December 31 2017	2016
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used	$ -	$ 483,750
Amount unused	4,034,100	3,757,750
	$ 4,034,100	$ 4,241,500
Secured bank overdraft facilities		
Amount used	$ 122,117	$ -

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Winmate Inc.	Associate
Ke Chang Liu	Other related party (chairman's second immediate family)
Li Ting Huang	Other related party (spouse of chairman's second immediate family)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Associates	$ 64,487	$ 51,709

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Associates	$ 66,871	$ 51,320

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

Line Item	Related Party Category/Name	December 31 2017	2016
Trade receivables from related parties	Associates	$ 14,067	$ 13,957

The outstanding trade receivables from related parties are unsecured. For the years ended December 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 Item	Related Party Category/Name	December 31 2017	2016
Trade payables	Associates	$ 19,499	$ 29,453

The outstanding trade payables to related parties are unsecured.

f. Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2017	2016
Associates	$ 8,381	$ -

g. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds For the Nine Months Ended September 30		Gain (Loss) on Disposal For the Nine Months Ended September 30	
	2017	2016	2017	2016
Other related parties	$ 74,397	$ -	$ 66,531	$ -

h. Other transactions with related parties

Related Party Category/Name	Operating Expenses For the Year Ended December 31	
	2017	2016
Research and development expenses		
Associates	$ 23,709	$ -

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

Related Party Category/Name	Other Income For the Year Ended December 31	
	2017	2016
Rental income		
Other related parties	$ 60	$ 60
Other		
Other related parties	$ 2,702	$ 2,702

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

i. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 46,617	$ 34,349
Post-employment benefits	201	113
Share-based payments	9,653	20,114
	$ 56,471	$ 54,576

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31, 2017
Pledge deposits (recognized as debt investments with no active market)	$ 29,982
Property, plant and equipment	69,552
	$ 99,534

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 204,045	29.760 (USD:NTD)	$ 6,072,379
RMB	370,046	4.5650 (RMB:NTD)	1,689,260
EUR	32,336	35.5770 (EUR:NTD)	1,150,192
USD	18,340	6.5192 (USD:RMB)	545,801
			$ 9,457,632
Financial liabilities			
Monetary items			
USD	120,900	29.760 (USD:NTD)	$ 3,597,984
RMB	190,006	4.5650 (RMB:NTD)	867,377
USD	28,310	6.5192 (USD:RMB)	842,512
			$ 5,307,873

December 31, 2016

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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)	313,924
			$ 9,134,060
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)	926,438
			$ 6,452,897

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange losses were $76,098 thousand and $205,812 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held. (Table 3)

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

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

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

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

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

9) Transactions of financial instruments. (Notes 7 and 32)

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 loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

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

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's segment information which is disclosed is as follows:

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

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

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

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

Segment Revenue and Results

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

	Industrial Internet of Thing Services	Embedded Boards and Design-in Services	Allied Design Manufacture Services	Intelligent Services	Global Customer Services	Others	Total
For the year ended December 31, 2017							
Revenue from external customers	$ 14,763,233	$ 11,906,429	$ 9,005,011	$ 3,092,256	$ 5,540,815	$ 67,007	$ 44,374,751
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	$ 14,763,233	$ 11,906,429	$ 9,005,011	$ 3,092,256	$ 5,540,815	$ 67,007	44,374,751
Eliminations	-	-	-	-	-	-	-
Consolidated revenue	-	-	-	-	-	-	44,374,751
Segment income	$ 3,118,367	$ 1,970,685	$ 1,426,348	($ 67,163)	$ 696,162	$ (994)	7,143,405
Other revenue							234,453
Central administration costs and directors' salaries							(364,928)
Other income and expense							314,079
Finance costs							(12,117)
Share of profits of associates accounted for using the equity method							218,651
Profit before tax (continuing operations)							$ 7,533,543
For the year ended December 31, 2016							
Revenue from external customers	$ 13,606,469	$ 15,817,033	$ 9,662,962	$ 2,722,384	$ 4,924,689	$ 285,913	$ 42,002,198
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	$ 13,606,469	$ 15,817,033	$ 9,662,962	$ 2,722,384	$ 4,924,689	$ 285,913	42,002,198
Eliminations	-	-		-	-	-	-
Consolidated revenue	-	-	-	-	-	-	42,002,198
Segment income	$ 2,901,863	$ 1,997,596	$ 1,609,214	$ 208,387	$ 583,025	$ (13,524)	7,286,560
Other revenue							227,316
Central administration costs and directors' salaries							(655,068)
Other income and expense							184,550
Finance costs							(11,556)
Share of profits of associates accounted for using the equity method							65,562
Profit before tax (continuing operations)							$ 7,097,365

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' and supervisors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, 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.

Revenue from Major Products and Services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2017	**2016**
Embedded boards and Chassis	$ 18,596,165	$ 16,733,624
Industrial computer	9,028,906	9,666,898
Industrial control	8,141,772	5,377,597
Industry-applied computer	3,103,742	5,014,219
After-sales service and others	5,504,166	5,209,860
	$ 44,374,751	$ 42,002,198

Geographical Information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Taiwan	$ 3,454,198	$ 3,467,452	$ 7,837,025	$ 7,924,905
Asia	18,696,453	16,781,831	2,746,244	2,821,073
USA	13,277,208	13,337,334	2,984,579	3,371,055
Europe	7,170,151	6,526,905	674,970	555,878
Others	1,776,741	1,888,676	2,831	4,143
	$ 44,374,751	$ 42,002,198	$ 14,245,649	$ 14,677,054

Non-current assets exclude financial instruments and deferred tax assets.

Information about Major Customers

No customers contributed 10% or more to the Group's revenue for both years ended December 31, 2017 and 2016.

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 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 Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Year	Ending Balance	Ending Balance						Item	Value		
1	Better Auto	Advantech LNC Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	$ 20,729 (RMB 4,520 thousand)	$ -	$ -	-	Short-term financing	$ -	Financing need	$ -	None	None	$ 2,758,107 (Note C)	$ 5,516,214 (Note C)
		Advantech LNC Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	15,673 (US$ 500 thousand)	-		-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
2	ANA	B+B	Trade receivables - related parties	Yes	23,509 (US$ 750 thousand)	-	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
3	B+B	B+B (CZ)	Trade receivables - related parties	Yes	39,505 (CZK 31,756 thousand)	-	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
4	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	16,764 (CZK 12,000 thousand)	16,740 (CZK 12,000 thousand)	16,740 (CZK 12,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
5	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	5,580 (CZK 4,000 thousand)	5,580 (CZK 4,000 thousand)	5,580 (CZK 4,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
6	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	13,758 (RMB 3,000 thousand)	-	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)
7	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	13,695 (RMB 3,000 thousand)	13,695 (RMB 3,000 thousand)	-	-	Short-term financing	-	Financing need	-	None	None	2,758,107 (Note C)	5,516,214 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of December 31, 2017 were RMB1=NT$4.565 and CZK1=NT$1.395.

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 YEAR ENDED DECEMBER 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 Year	Outstanding Endorsement/ Guarantee at the End of the Year	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	$ -	$ 62,690 (US$ 2,000 thousand)	$ -	$ -	$ -	-	$ -	Y	N	N
		AdvanPOS	Subsidiary	-	62,690 (US$ 2,000 thousand)	-	-	-	-	-	Y	N	N
		ANA	Subsidiary	2,758,107	940,350 (US$ 30,000 thousand)	892,800 (US$ 30,000 thousand)	-	-	3.24	8,274,321	Y	N	N
		B+B	Subsidiary	2,758,107	313,450 (US$ 10,000 thousand)	297,600 (US$ 10,000 thousand)	-	-	1.08	8,274,321	Y	N	N
		AKMC	Subsidiary	2,758,107	188,070 (US$ 6,000 thousand)	178,560 (US$ 6,000 thousand)	-	-	0.65	8,274,321	Y	N	Y
		LNC	Subsidiary	2,758,107	109,708 (US$ 3,500 thousand)	44,640 (US$ 1,500 thousand)	-	-	0.16	8,274,321	Y	N	N
		Advanixs Corp.	Subsidiary	2,758,107	50,152 (US$ 1,600 thousand)	47,616 (US$ 1,600 thousand)	-	-	0.17	8,274,321	Y	N	N
		Cermate	Subsidiary	2,758,107	48,585 (US$ 1,550 thousand)	29,760 (US$ 1,000 thousand)	-	-	0.11	8,274,321	Y	N	N
		AiST	Subsidiary	2,758,107	4,702 (US$ 150 thousand)	4,464 (US$ 150 thousand)	-	-	0.02	8,274,321	Y	N	N
		AdvanPOS	Subsidiary	2,758,107	31,345 (US$ 1,000 thousand)	29,760 (US$ 1,000 thousand)	-	-	0.11	8,274,321	Y	N	N
		A-DLoG	Subsidiary	2,758,107	35,890 (EUR 1,000 thousand)	35,570 (EUR 1,000 thousand)	-	-	0.13	8,274,321	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual 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	$ 2,758,107	$ 47,018 (US$ 1,500 thousand)	$ 44,640 (US$ 1,500 thousand)	$ -	$ -	0.16	$ 8,274,321	Y	N	N
		AAU	Subsidiary	2,758,107	6,269 (US$ 200 thousand)	5,952 (US$ 200 thousand)	-	-	0.02	8,274,321	Y	N	N
		AKR	Subsidiary	2,758,107	1,567 (US$ 50 thousand)	1,488 (US$ 50 thousand)	-	-	0.01	8,274,321	Y	N	N
		Shenzhen Cermate Technologies Inc.	Subsidiary	2,758,107	16,731 (US$ 550 thousand)	16,368 (US$ 550 thousand)	-	-	0.06	8,274,321	Y	N	Y
		Advantech LNC Dong Guan Co., Ltd.	Subsidiary	2,758,107	60,840 (US$ 2,000 thousand)	59,520 (US$ 2,000 thousand)	-	-	0.22	8,274,321	Y	N	Y

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

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

Note C: The exchange rates as of December 31, 2017 were US$1=NT$29.76 and EUR1=NT$35.57.

Note D: The latest net equity is from the Group’s consolidated financial statements for the year ended December 31, 2017.

(Concluded)

TABLE 3

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 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	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ASUSTek Computer Inc.	-	Available-for-sale financial assets - non-current	4,739,461	$ 1,324,679	0.64	$ 1,324,679	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	94,800	2.41	94,800	Note A
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	28,879,554	360,007	-	360,007	Note B
	FSITC Money Market	-	Same as above	1,578,639	280,009	-	280,009	Note B
Advantech Corporate Investment	Stock							
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,501,000	197,579	5.03	197,579	Note A
	AzureWave Technologies, Inc.	-	Same as above	5,492,000	91,991	4.11	91,991	Note A
	Contec	-	Same as above	15,500	9,334	0.23	9,334	Note A
	BroadTec System Inc.	-	Available-for-sale financial assets - non-current	182,700	1,500	1.79	1,500	-
	BiosenseTek Corp.	-	Same as above	37,500	375	7.50	375	-
	Juguar Technology	-	Same as above	500,000	7,500	16.67	7,500	-
	Taiwan DSC PV Ltd.	-	Same as above	160,000	2,000	3.20	2,000	-
	Phison Electronics Corporation	-	Available-for-sale financial assets - current	750,000	219,000	0.38	219,000	Note A
	Xplore Technologies Corp.	-	Same as above	122,829	10,381	1.11	10,381	Note A
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	49,657,452	619,020	-	619,020	Note B
	FSITC Money Market	-	Same as above	2,926,124	519,018	-	519,018	Note B
Advanixs Corporate	Fund							
	Jih Sun Money Market	-	Same as above	40,686,999	599,218	-	599,218	Note B
	Mega Diamond Money Market	-	Same as above	7,437,828	92,718	-	92,718	Note B
AiST	Fund							
	Jih Sun Money Market	-	Same as above	6,057,244	89,208	-	89,208	Note B
ALTC	Fund							
	Mega Diamond Money Market	-	Same as above	481,926	6,008	-	6,008	Note B
	Capital Money Market	-	Same as above	499,083	8,005	-	8,005	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AdvanPOS	Fund Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	15,442,275	$ 192,500	-	$ 192,500	Note B
Advantech Innovative Design Co., Ltd.	Fund Capital Money Market	-	Same as above	600,530	9,633	-	9,633	Note B
Cermate	Fund Mega Diamond Money Market	-	Same as above	1,565,402	19,514	-	19,514	Note B
AiSC	Fund Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets measured at cost-non current	-	78,518	7.50	78,518	-

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

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 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 YEAR ENDED DECEMBER 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 (Note)		Disposal				Ending Balance (Note)	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	Fund													
	Capital Money Market	Available-for-sale financial assets - current	-	-	6,257,978	$ 100,000	57,235,311	$ 916,000	63,493,289	$ 1,016,513	$ 1,016,000	$ 513	-	$ -
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	24,168,481	300,021	127,827,675	1,590,000	151,996,156	1,891,872	1,890,021	1,851	-	-
	FSITC Money Market	Available-for-sale financial assets - current	-	-	1,698,386	300,000	14,552,185	2,576,000	16,250,571	2,878,210	2,876,000	2,210	-	-
	Fund													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	28,879,554	360,000	-	-	-	-	28,879,554	360,000
Advantech Corporate Investment	Fund													
	FSITC Money Market	Available-for-sale financial assets - current	-	-	2,038,341	360,000	520,024	92,000	2,558,365	453,754	452,000	1,754	-	-
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	23,861,961	296,000	25,930,564	323,000	49,792,525	620,684	619,000	1,684	-	-
	Fund													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	49,657,452	619,000	-	-	-	-	49,657,452	619,000
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	3,038,880	539,000	112,756	20,000	19,999	1	2,926,124	519,001
Advanixs Corporate	Fund													
	Jih Sun Money Market	Available-for-sale financial assets - current	-	-	38,021,440	557,118	33,850,653	497,702	71,872,093	1,057,497	1,054,820	2,677	-	-
	Fund													
	Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	40,686,999	599,197	-	-	-	-	40,686,999	599,197

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AAU	Subsidiary	Sale	$ (220,309)	0.71	60-90 days	Contract price	No significant difference in terms for related parties	$ 38,731	0.62	
	B+B	Subsidiary	Sale	(149,747)	0.48	60 days after month-end	Contract price	No significant difference in terms for related parties	36,942	0.59	
	AEU	Subsidiary	Sale	(4,316,172)	13.97	30 days after month-end	Contract price	No significant difference in terms for related parties	1,363,473	21.93	
	AiSC	Subsidiary	Sale	(159,793)	0.52	45 days after month-end	Contract price	No significant difference in terms for related parties	41,117	0.66	Note A
	AJP	Subsidiary	Sale	(778,432)	2.52	60-90 days	Contract price	No significant difference in terms for related parties	151,705	2.44	
	ACN	Subsidiary	Sale	(6,039,617)	19.55	45 days after month-end	Contract price	No significant difference in terms for related parties	964,313	15.51	Note B
	AKR	Subsidiary	Sale	(917,245)	2.97	60 days after invoice date	Contract price	No significant difference in terms for related parties	73,977	1.19	
	ANA	Subsidiary	Sale	(8,255,247)	26.72	45 days after month-end	Contract price	No significant difference in terms for related parties	1,595,920	25.67	
	ASG	Subsidiary	Sale	(269,444)	0.87	60-90 days	Contract price	No significant difference in terms for related parties	68,340	1.10	
	Advanixs Corp.	Subsidiary	Sale	(599,509)	1.94	60-90 days	Contract price	No significant difference in terms for related parties	140,428	2.26	
	A-DLoG	Subsidiary	Sale	(181,312)	0.59	30 days after invoice date	Contract price	No significant difference in terms for related parties	46,969	0.76	
	AMY	Subsidiary	Sale	(188,191)	0.61	45 days after month-end	Contract price	No significant difference in terms for related parties	23,549	0.38	
	AKMC	Subsidiary	Purchase	10,519,469	48.88	Usual trade terms	Contract price	No significant difference in terms for related parties	(966,466)	21.09	
	Advanixs Corp.	Subsidiary	Purchase	1,328,501	6.17	Usual trade terms	Contract price	No significant difference in terms for related parties	(16,222)	0.35	
	AdvanPOS	Subsidiary	Purchase	1,342,553	6.24	Usual trade terms	Contract price	No significant difference in terms for related parties	(747)	0.02	
AKMC	The Company	Parent company	Sale	(10,519,469)	94.01	Usual trade terms	Contract price	No significant difference in terms for related parties	966,466	95.48	
Advanixs Corp.	The Company	Parent company	Sale	(1,328,501)	34.38	Usual trade terms	Contract price	No significant difference in terms for related parties	16,222	14.80	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AdvanPos	The Company	Parent company	Sale	$ (1,342,553)	99.65	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 747	100.00	
AAU	The Company	Parent company	Purchase	220,309	81.12	60-90 days	Contract price	No significant difference in terms for related parties	(38,731)	81.66	
B+B	The Company	Parent company	Purchase	149,747	15.78	60 days after month-end	Contract price	No significant difference in terms for related parties	(36,942)	33.28	
AEU	The Company	Parent company	Purchase	4,316,172	80.31	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,363,473)	81.13	
AiSC	The Company	Parent company	Purchase	159,793	35.14	45 days after month-end	Contract price	No significant difference in terms for related parties	(41,117)	47.31	
AJP	The Company	Parent company	Purchase	778,432	90.57	60-90 days	Contract price	No significant difference in terms for related parties	(151,705)	93.23	
ACN	The Company	Parent company	Purchase	6,039,617	72.58	45 days after month-end	Contract price	No significant difference in terms for related parties	(964,313)	72.28	
AKR	The Company	Parent company	Purchase	917,245	61.29	60 days after invoice date	Contract price	No significant difference in terms for related parties	(73,977)	51.47	
ANA	The Company	Parent company	Purchase	8,255,247	91.20	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,595,920)	93.29	
ASG	The Company	Parent company	Purchase	269,444	75.14	60-90 days	Contract price	No significant difference in terms for related parties	(68,340)	86.69	
Advanixs Corp.	The Company	Parent company	Purchase	599,509	17.44	60-90 days	Contract price	No significant difference in terms for related parties	(140,428)	9.59	
A-DLoG	The Company	Parent company	Purchase	181,312	21.32	30 days after invoice date	Contract price	No significant difference in terms for related parties	(46,969)	54.57	
AMY	The Company	Parent company	Purchase	188,191	89.92	45 days after month-end	Contract price	No significant difference in terms for related parties	(23,549)	95.22	
Cermate	Cermate Shenzen	Related enterprise	Sale	(104,225)	1.45	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
AKMC	ACN	Related enterprise	Sale	(511,855)	4.57	Usual trade terms	Contract price	No significant difference in terms for related parties	58,129	4.02	
Advanixs Corp.	AKMC	Related enterprise	Sale	(1,583,883)	40.99	Usual trade terms	Contract price	No significant difference in terms for related parties	5,597	5.11	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
LNC	Advantech LNC Dong Guan	Subsidiary	Sale	$ (267,280)	68.77	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 183,546	89.05	
ACN	AiSC	Related enterprise	Sale	(157,292)	1.64	Usual trade terms	Contract price	No significant difference in terms for related parties	17,537	0.88	
Cermate Shenzen	Cermate	Related enterprise	Purchase	104,225	72.94	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
ACN	AKMC	Related enterprise	Purchase	511,855	6.15	Usual trade terms	Contract price	No significant difference in terms for related parties	(58,129)	4.36	
AKMC	Advanixs Corp.	Related enterprise	Purchase	1,583,883	15.50	Usual trade terms	Contract price	No significant difference in terms for related parties	(5,597)	0.39	
Advantech LNC Dong Guan	LNC	Parent company	Purchase	267,280	2.49	Usual trade terms	Contract price	No significant difference in terms for related parties	(183,546)	90.64	
AiSC	ACN	Related enterprise	Purchase	157,292	34.59	Usual trade terms	Contract price	No significant difference in terms for related parties	(17,537)	20.18	

Note A: Realized gain for the year was $3,460 thousand.

Note B: Unrealized gain for the year was $14,281 thousand.

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

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ANA	Subsidiary	$ 1,595,920	6.08	$ -	-	$ 892,800	$ -
	AEU	Subsidiary	1,363,473	3.73	-	-	725,469	-
	ACN	Subsidiary	964,313	6.76	-	-	785,179	-
	AJP	Subsidiary	151,705	4.25	-	-	89,530	-
	Advanixs Corp.	Subsidiary	140,428	4.30	-	-	139,250	-
AKMC	The Company	Parent company	966,466	8.12	-	-	216,353	-
LNC	Advantech LNC Dong Guan	Subsidiary	183,546	1.93	-	-	21,825	-

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 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 December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 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	$ 4,187,055	470,086	471,305	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,518,872	334,407	333,941	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	856,049	296,431	313,646	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	1,899,479	290,136	290,555	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.85	622,604	926,239	240,551	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	460,572	460,572	20,438,000	100.00	552,116	61,335	66,667	Subsidiary
	ALNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	431,634	431,634	24,350,000	81.17	492,441	10,297	8,334	Subsidiary (Note A)
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	10,447	5,663	1,616	Equity-method investee (Note A)
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	(399)	(1,036)	(1,036)	Subsidiary (Note A)
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	12,572,024	100.00	925,225	36,775	36,448	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	90,848	14,531	14,531	Subsidiary (Note A)
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	49,785	9,163	9,163	Subsidiary (Note A)
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	269,111	57,366	57,366	Subsidiary (Note A)
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	66,713	29,340	29,340	Subsidiary (Note A)
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	278,131	42,501	42,501	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	64,801	9,547	7,637	Subsidiary (Note A)
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,421	809	809	Subsidiary (Note A)
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	157,915	157,915	10,000,000	100.00	171,803	9,938	9,938	Subsidiary (Note A)
	BEMC	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	6	60.00	1,885,077	121,314	71,930	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	5,567	999,999	99.99	11,376	(3,848)	(3,848)	Subsidiary (Note A)
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	135,000	135,000	13,500,000	45.00	84,140	(55,780)	(25,101)	Equity-method investee (Note A)
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	-	17,280	36.00	-	(45,988)	(16,556)	Subsidiary (Note A)
	Winmate Inc.	Taipei, Taiwan	Embedded System Modules	540,000	-	12,000,000	16.62	544,960	136,205	5,333	Equity-method investee (Note A)
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	-	11,520	24.00	-	(45,988)	(11,037)	Subsidiary (Note A)
Advantech Corporate Investment	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	121,946	25,821	14,620	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	15,457	(1,600)	(635)	Equity-method investee (Note A)
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	75,000	-	7,500,000	20.00	72,127	(16,087)	(3,113)	Equity-method investee (Note A)
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	3,499,871	387,373	386,906	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,430,085	300,055	299,531	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,026,873	170,254	171,997	Subsidiary
ANA	BEMC	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	4	40.00	1,270,360	121,314	48,526	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	11,314,280	100.00	950,362	33,149	32,821	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	27,909	3,220	3,220	Subsidiary (Note A)
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	474,134	(34,148)	(34,475)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
ASG	ATH	Thailand	Production of computers	$ 7,537	$ 7,537	51,000	51.00	$ 21,570	$ 5,819	$ 3,069	Subsidiary (Note A)
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	5,006	2,603	2,603	Subsidiary (Note A)
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	94,802	19,868	19,440	Subsidiary (Note A)
LNC	Better Auto	BVI	General investment	244,615	264,445	8,556,096	100.00	47,086	(7,704)	(7,515)	Subsidiary (Note A)
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	42,336	(8,758)	(8,758)	Subsidiary (Note A)
BEMC	Avtek	Delaware, USA	Sale of industrial network communications systems	US$ 99,850	US$ 99,850	-	100.00	3,155,437	121,314	120,456	Subsidiary
Avtek	B+B	Delaware, USA	Sale of industrial network communications systems	US$ 99,850	US$ 99,850	384,111	100.00	3,155,437	121,314	120,456	Subsidiary
B+B	BBI	Ireland	Sale of industrial network communications systems	US$ 39,481	US$ 39,481	-	100.00	97,431	(43,735)	(43,735)	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	Manufacture of cellular and automation solutions	-	-	-	99.99	240,510	70,716	70,716	Subsidiary
	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	70	(6,330)	(63)	Subsidiary
	B&B DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
B&B Electronics	B+B (CZ)	Czech Republic	Manufacture of cellular and automation solutions	-	-	-	0.01	-	-	-	Subsidiary
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	6,929	(6,330)	(6,267)	Subsidiary

Note A: The respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group's consolidated financial statements.

Note B: In the first quarter of 2017, the Group made arrangement to acquire equity in AKST for US$3,800 thousand and recognized it as impairment loss in the end of 2017.

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

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

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 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 December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 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	$ 1,110,048 (US$ 37,300 thousand)	$ -	$ -	$ 1,110,048 (US$ 37,300 thousand)	$ 325,934	100	$ 325,467	2,998,770	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US$ 4,230 thousand	Indirect	158,680 (US$ 5,332 thousand)	-	-	158,680 (US$ 5,332 thousand)	156,780	100	157,802	1,271,553	334,264 (US$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US$ 8,000 thousand	Indirect	238,080 (US$ 8,000 thousand)	-	-	238,080 (US$ 8,000 thousand)	(10,721)	100	(10,000) (Note A)	702,327	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	22,831	100	22,831 (Note A)	30,808	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	(125)	100	(125) (Note A)	14,659	-
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	RMB 99,515 thousand	Indirect	(Note G)	-	-	(Note G)	71,350	100	61,438 (Note A)	501,101	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
$1,512,760 (US$50,832 thousand) (Note E)	$2,547,456 (US$85,600 thousand)	$16,656,264 (Note I)

(Continued)

Note A: The respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group's consolidated financial statements.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in mainland China are described in Tables 5.

Note C: Remittance by AAC (HK).

Note D: Remittance by ACN.

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

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

Note G: ATC, parent company of ATC (HK), increased the share capital of ATC (HK) and ATC (HK) acquired 100% share equity of Advanixs Kun Shan Corp. from Yeh-Chiang Technology (Cayman).

Note H: The exchange rate was US$1.00=NT$29.76.

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

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

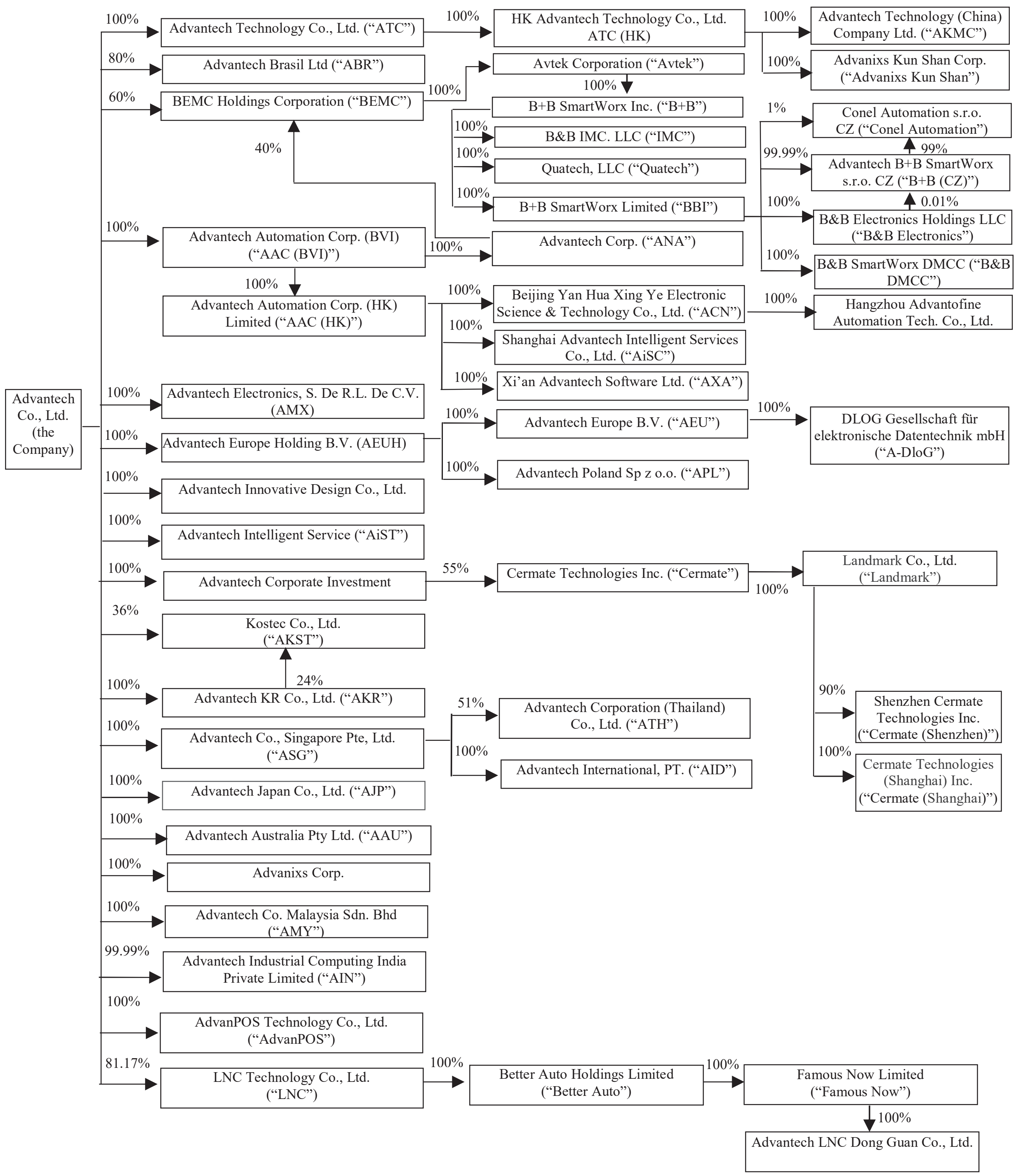
(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

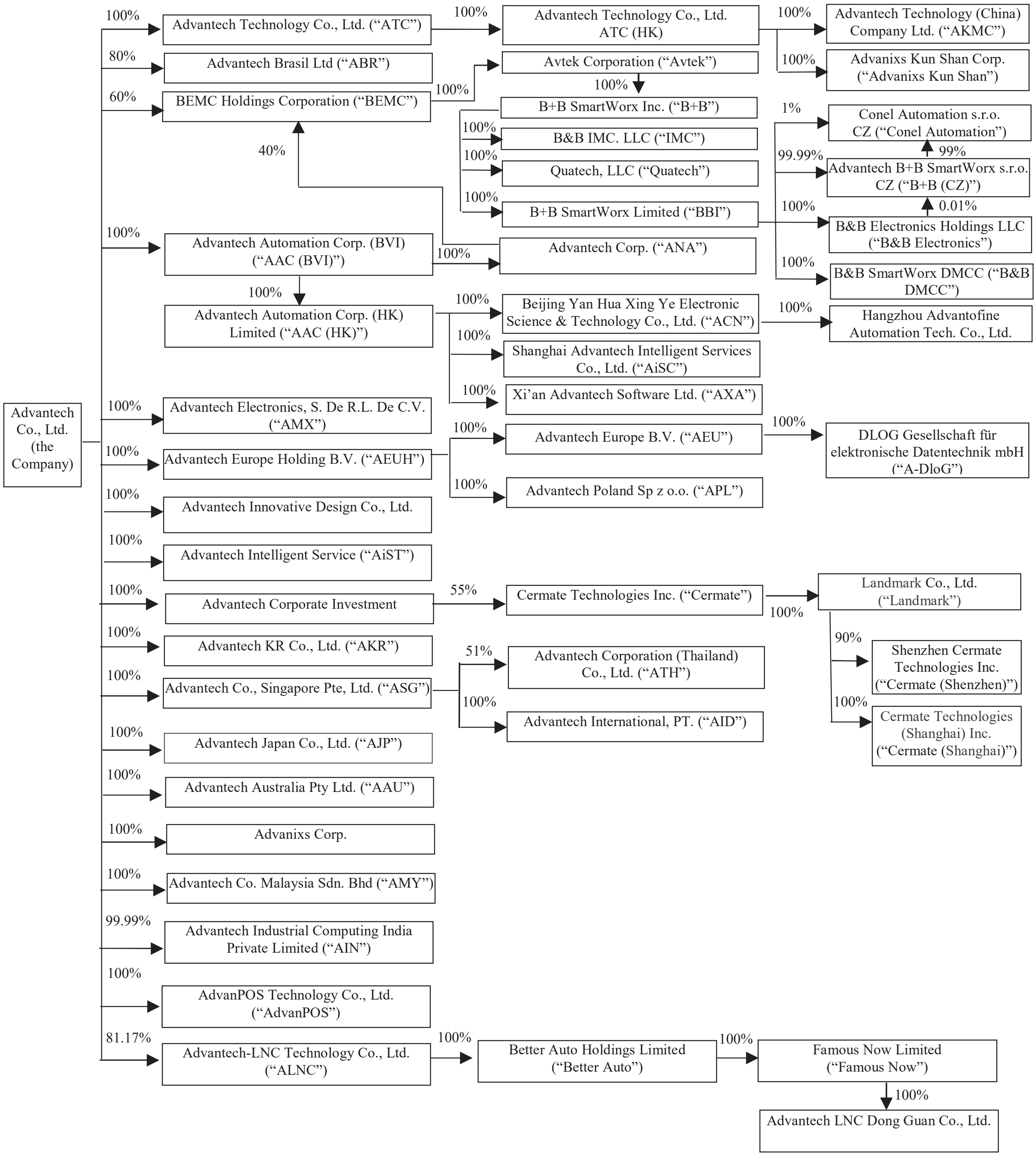
ORGANIZATION CHART
DECEMBER 31, 2017 AND 2016

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



(Continued)

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



(Concluded)

TABLE 10

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 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	% of Consolidated Assets/Revenue (Note C)
0	The Company	AAC (HK)	1	Receivables from related parties	$ 4	45 days EOM	-
		AAC (HK)	1	Other receivables from related parties	15	45 days EOM	-
		AAC (HK)	1	Sales revenue	4	Normal	-
		AAU	1	Sales revenue	220,309	Normal	-
		AAU	1	Receivables from related parties	38,731	60-90 days	-
		AAU	1	Other revenue	2,428	Normal	-
		AAU	1	Other receivables from related parties	456	60-90 days	-
		ABR	1	Sales revenue	97,608	Normal	-
		ABR	1	Receivables from related parties	13,363	90 days EOM	-
		ABR	1	Other revenue	2,589	Normal	-
		ABR	1	Other receivables from related parties	580	90 days EOM	-
		ACN	1	Receivables from related parties	964,313	45 days EOM	2
		ACN	1	Sales revenue	6,039,617	Normal	14
		A-DLoG	1	Sales revenue	181,312	Normal	-
		A-DLoG	1	Receivables from related parties	46,969	30 days after invoice date	-
		A-DLoG	1	Other revenue	2,412	Normal	-
		A-DLoG	1	Other receivables from related parties	439	30 days after invoice date	-
		AEU	1	Sales revenue	4,316,172	Normal	10
		AEU	1	Receivables from related parties	1,363,473	30 days EOM	3
		AEU	1	Other revenue	19,257	Normal	-
		AEU	1	Other receivables from related parties	2,681	30 days EOM	-
		AID	1	Sales revenue	19,027	Normal	-
		AID	1	Receivables from related parties	4,351	45 days after invoice date	-
		AIN	1	Sales revenue	31,566	Normal	-
		AIN	1	Receivables from related parties	14,218	60 days EOM	-
		AIN	1	Other revenue	2,642	Normal	-
		AIN	1	Other receivables from related parties	300	60 days EOM	-
		AiSC	1	Sales revenue	159,793	Normal	-
		AiSC	1	Receivables from related parties	41,117	45 days EOM	-
		AJP	1	Sales revenue	778,432	Normal	2
		AJP	1	Receivables from related parties	151,705	60-90 days	-
		AJP	1	Other revenue	5,118	Normal	-
		AJP	1	Other receivables from related parties	629	60-90 days	-
		AKMC	1	Receivables from related parties	447,127	45 days EOM	1
		AKMC	1	Sales revenue	4	Normal	-
		AKR	1	Sales revenue	917,245	Normal	2
		AKR	1	Receivables from related parties	73,977	60 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		AKR	1	Other revenue	$ 6,061	Normal	-
		AKR	1	Other receivables from related parties	559	60 days after invoice date	-
		AKST	1	Receivables from related parties	6,742	30 days EOM	-
		AKST	1	Sales revenue	6,834	30 days EOM	-
		AKST	1	Other receivables from related parties	399	30 days EOM	-
		AMY	1	Sales revenue	188,191	Normal	-
		AMY	1	Receivables from related parties	23,549	45 days EOM	-
		AMY	1	Other revenue	2,901	Normal	-
		AMY	1	Other receivables from related parties	414	45 days EOM	-
		ANA	1	Sales revenue	8,255,247	Normal	19
		ANA	1	Receivables from related parties	1,595,920	45 days EOM	4
		ANA	1	Other revenue	23,387	Normal	-
		ANA	1	Other receivables from related parties	5,004	45 days EOM	-
		APL	1	Sales revenue	15,384	Normal	-
		APL	1	Receivables from related parties	4,896	45 days EOM	-
		ASG	1	Sales revenue	269,444	Normal	1
		ASG	1	Receivables from related parties	68,340	60-90 days	-
		ASG	1	Other revenue	3,491	Normal	-
		ASG	1	Other receivables from related parties	853	60-90 days	-
		ATH	1	Sales revenue	57,824	Normal	-
		ATH	1	Receivables from related parties	4,774	30 days after invoice date	-
		ATH	1	Other revenue	2,829	Normal	-
		ATH	1	Other receivables from related parties	222	30 days after invoice date	-
		B+B	1	Sales revenue	149,747	Normal	-
		B+B	1	Receivables from related parties	36,942	60 days EOM	-
		B+B	1	Other receivables from related parties	4	60 days EOM	-
		B+B (CZ)	1	Sales revenue	701	Normal	-
		B+B (CZ)	1	Receivables from related parties	5	Normal	-
		Cermate	1	Other revenue	1,200	Normal	-
		Advantech Innovative Design Co., Ltd.	1	Rental revenue	36	Normal	-
		AiST	1	Sales revenue	6,523	Normal	-
		AiST	1	Receivables from related parties	1,198	30 days EOM	-
		Advanixs Corporate	1	Sales revenue	599,509	Normal	1
		Advanixs Corporate	1	Receivables from related parties	140,428	60-90 days	-
		Advanixs Corporate	1	Rental revenue	4,800	Normal	-
		Advanixs Corporate	1	Other receivables from related parties	2,690	60-90 days	-
		AdvanPOS	1	Other revenue	3,360	Normal	-
		LNC	1	Sales revenue	3,112	Normal	-
		LNC	1	Other revenue	1,200	Normal	-
		LNC	1	Receivables from related parties	548	60-90 days EOM	-
		LNC	1	Other receivables from related parties	315	60-90 days EOM	-
1	AAC (HK)	The Company	2	Other revenue	8,056	Normal	-
2	AAU	The Company	2	Receivables from related parties	358	60-90 days	-
		The Company	2	Sales revenue	104	Normal	-
		The Company	2	Other revenue	2,307	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
3	ABR	The Company	2	Receivables from related parties	$ 1,231	30 days after invoice date	-
		The Company	2	Sales revenue	52	Normal	-
		The Company	2	Other revenue	3,937	Normal	-
4	ACN	AAU	3	Sales revenue	477	Normal	-
		AEU	3	Receivables from related parties	104	30 days EOM	-
		AEU	3	Sales revenue	8,964	Normal	-
		AiSC	3	Sales revenue	157,292	Normal	-
		AiSC	3	Receivables from related parties	17,537	Immediate payment	-
		AiSC	3	Other receivables from related parties	25	30 days EOM	-
		AKMC	3	Sales revenue	38,686	Normal	-
		AKMC	3	Receivables from related parties	4,597	60-90 days	-
		AKMC	3	Other revenue	9	Normal	-
		AKR	3	Receivables from related parties	39	45 days EOM	-
		AKR	3	Sales revenue	476	Normal	-
		ANA	3	Receivables from related parties	379	30 days EOM	-
		ANA	3	Sales revenue	634	Normal	-
		The Company	2	Receivables from related parties	1,416	30 days EOM	-
		The Company	2	Sales revenue	3,750	Normal	-
		The Company	2	Other revenue	1,338	Normal	-
5	A-DLoG	AAU	3	Sales revenue	1,136	Normal	-
		AEU	3	Receivables from related parties	1,092	30 days upon delivery	-
		AEU	3	Rental revenue	2,295	Normal	-
		AEU	3	Other revenue	4,025	Normal	-
		AEU	3	Sales revenue	1,613	Normal	-
		AEU	3	Other receivables from related parties	103	30 days EOM	-
		AKMC	3	Sales revenue	484	Normal	-
		AKR	3	Sales revenue	4,966	Normal	-
		ANA	3	Receivables from related parties	193	30 days after invoice date	-
		ANA	3	Sales revenue	1,261	Normal	-
		ASG	3	Sales revenue	11	Normal	-
		The Company	2	Sales revenue	92,812	Normal	-
		The Company	2	Receivables from related parties	19,594	30 days after invoice date	-
6	AEU	AAU	3	Sales revenue	36	Normal	-
		ACN	3	Sales revenue	43	Normal	-
		A-DLoG	3	Sales revenue	27,268	Normal	-
		AIN	3	Sales revenue	11	Normal	-
		AJP	3	Sales revenue	60	Normal	-
		AKMC	3	Sales revenue	328	Normal	-
		AKR	3	Sales revenue	123	Normal	-
		ANA	3	Sales revenue	10,575	Normal	-
		ATH	3	Sales revenue	2	Normal	-
		BBI	3	Sales revenue	8,593	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		The Company	2	Sales revenue	$ 11,825	Normal	-
		The Company	2	Receivables from related parties	2,515	30 days EOM	-
		The Company	2	Other receivables from related parties	1,033	30 days EOM	-
		The Company	2	Other revenue	385	Normal	-
7	AID	ACN	3	Receivables from related parties	9	Normal	-
		ASG	3	Receivables from related parties	1,215	Financing	-
		ASG	3	Other revenue	1,871	Normal	-
8	AIN	APL	3	Prepayments of inventories	2	30 days EOM	-
		The Company	2	Receivables from related parties	190	60 days EOM	-
		The Company	2	Sales revenue	191	Normal	-
		The Company	2	Other revenue	254	Normal	-
9	AiSC	AAC (HK)	3	Other receivables from related parties	4,581	90 days	-
		ACN	3	Other receivables from related parties	31,817	Immediate payment	-
		ACN	3	Sales revenue	24,521	Normal	-
		ACN	3	Rental revenue	5,623	Normal	-
		ACN	3	Receivables from related parties	439	Immediate payment	-
		AEU	3	Sales revenue	1,411	Normal	-
		AKMC	3	Sales revenue	310	Normal	-
		AKMC	3	Receivables from related parties	132	30 days EOM	-
		ASG	3	Sales revenue	8	Normal	-
		ASG	3	Receivables from related parties	9	30 days EOM	-
		The Company	2	Sales revenue	126	Normal	-
		The Company	2	Receivables from related parties	34	45 days EOM	-
10	AJP	ACN	3	Sales revenue	21	Normal	-
		AKMC	3	Sales revenue	7,071	Normal	-
		AKMC	3	Other revenue	266	45 days EOM	-
		AKMC	3	Other receivables from related parties	37	60 days EOM	-
		AKMC	3	Receivables from related parties	2,158	45 days EOM	-
		The Company	2	Receivables from related parties	44	60-90 days	-
		The Company	2	Sales revenue	63	Normal	-
		The Company	2	Other revenue	106	Normal	-
11	AKMC	ACN	3	Sales revenue	511,855	Normal	1
		ACN	3	Receivables from related parties	58,129	60-90 days	-
		ACN	3	Rental revenue	3,876	Normal	-
		AEU	3	Sales revenue	8,029	Normal	-
		AEU	3	Receivables from related parties	355	30 days after invoice date	-
		AiSC	3	Sales revenue	39,032	Normal	-
		AiSC	3	Receivables from related parties	2,148	Immediate payment	-
		ANA	3	Sales revenue	1,811	Normal	-
		ANA	3	Receivables from related parties	164	60-90 days	-
		The Company	2	Sales revenue	10,519,469	Normal	24
		The Company	2	Receivables from related parties	966,466	60 days EOM	2

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		The Company	2	Other revenue	$ 4	Normal	-
		Advanixs Kun Shan	3	Sales revenue	2,618	Normal	-
		Advanixs Kun Shan	3	Receivables from related parties	314	30 days EOM	-
		Cermate (Shenzhen)	3	Receivables from related parties	915	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	782	Normal	-
		Advanixs Corporate	3	Sales revenue	4,087	Normal	-
		Advanixs Corporate	3	Receivables from related parties	469	Immediate payment	-
		AdvanPOS	3	Sales revenue	2,323	Normal	-
12	AKR	AKST	3	Sales revenue	36	Normal	-
		ASG	3	Sales revenue	420	Normal	-
		The Company	2	Receivables from related parties	75	90 days EOM	-
		The Company	2	Sales revenue	25	Normal	-
		The Company	2	Other revenue	269	Normal	-
13	AKST	AKMC	3	Sales revenue	1,118	Normal	-
		AKMC	3	Receivables from related parties	793	30 days EOM	-
		The Company	2	Receivables from related parties	5,089	30 days EOM	-
		The Company	2	Sales revenue	4,149	Normal	-
		The Company	2	Other revenue	619	Normal	-
14	AMX	The Company	2	Other revenue	6,097	Normal	-
15	AMY	ASG	3	Sales revenue	30	Normal	-
		ATH	3	Other revenue	114	Normal	-
16	ANA	AAU	3	Receivables from related parties	84	60 days after invoice date	-
		AAU	3	Sales revenue	162	Normal	-
		ABR	3	Sales revenue	1,343	Normal	-
		A-DLoG	3	Sales revenue	80	Normal	-
		A-DLoG	3	Receivables from related parties	3,280	60-90 days	-
		AEU	3	Receivables from related parties	2,898	60-90 days	-
		AEU	3	Sales revenue	29,134	Normal	-
		AJP	3	Sales revenue	3	Normal	-
		AKMC	3	Receivables from related parties	15,699	30 days EOM	-
		AKMC	3	Sales revenue	32,126	Normal	-
		AKR	3	Receivables from related parties	129	30 days EOM	-
		AKR	3	Sales revenue	450	Normal	-
		ASG	3	Sales revenue	129	Normal	-
		BBE	3	Rental revenue	1,415	Normal	-
		BBE	3	Interest revenue	225	Normal	-
		The Company	2	Sales revenue	48,010	Normal	-
		The Company	2	Receivables from related parties	4,294	45 days EOM	-
		The Company	2	Other revenue	2,157	Normal	-
		Advanixs Corporate	3	Sales revenue	1,799	Normal	-
		AdvanPOS	3	Sales revenue	47,921	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
17	APL	AEU	3	Sales revenue	$ 71,285	Normal	-
		AEU	3	Royalty revenue	19,371	Normal	-
		AEU	3	Receivables from related parties	6,753	30 days after invoice date	-
		The Company	2	Receivables from related parties	165	30 days after invoice date	-
		The Company	2	Sales revenue	4	Normal	-
		The Company	2	Other receivables from related parties	41,078	30 days after invoice date	-
		The Company	2	Other revenue	688	Normal	-
18	ASG	AEU	3	Sales revenue	3	Normal	-
		AID	3	Sales revenue	1,456	Normal	-
		AKMC	3	Receivables from related parties	27	30 days after invoice date	-
		AKMC	3	Sales revenue	27	Normal	-
		AKR	3	Sales revenue	764	Normal	-
		AMY	3	Sales revenue	7,602	Normal	-
		AMY	3	Receivables from related parties	966	30 days EOM	-
		ATH	3	Sales revenue	3,134	Normal	-
		ATH	3	Other revenue	2,550	Normal	-
		ATH	3	Receivables from related parties	957	30 days EOM	-
		The Company	2	Sales revenue	177	Normal	-
		The Company	2	Receivables from related parties	58	60-90 days	-
		The Company	2	Other revenue	872	Normal	-
19	ATC	The Company	2	Receivables from related parties	33,867	60 days EOM	-
20	ATH	The Company	2	Sales revenue	7	Normal	-
		The Company	2	Other revenue	75	Normal	-
21	AXA	ACN	3	Other revenue	42,013	Normal	-
22	B+B	The Company	2	Sales revenue	34,178	Normal	-
		The Company	2	Receivables from related parties	7,966	90 days EOM	-
23	BBE	AEU	3	Sales revenue	25,060	Normal	-
		AEU	3	Receivables from related parties	16,221	90 days EOM	-
24	BBI	AEU	3	Royalty revenue	12,882	45 days EOM	-
		B+B (CZ)	3	Other revenue	1,175	Normal	-
		B+B (CZ)	3	Other receivables from related parties	531	45 days EOM	-
25	B+B (CZ)	AEU	3	Sales revenue	72,991	Normal	-
		AEU	3	Receivables from related parties	55,824	45 days EOM	-
		BBE	3	Sales revenue	30,253	Normal	-
		BBE	3	Receivables from related parties	4,180	Normal	-
		BBI	3	Sales revenue	1,703	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		Conel Automation	3	Other revenue	$ 2,264	45 days EOM	-
		Conel Automation	3	Other receivables from related parties	498	45 days EOM	-
		Conel Automation	3	Sales revenue	339	Normal	-
		Conel Automation	3	Interest revenue	317	Normal	-
		Conel Automation	3	Receivables from related parties	38	45 days EOM	-
		The Company	2	Sales revenue	8,168	Normal	-
		The Company	2	Receivables from related parties	4,304	45 days EOM	-
		The Company	2	Other revenue	15	Normal	-
26	Conel Automation	B+B (CZ)	3	Sales revenue	632	Normal	-
		B+B (CZ)	3	Receivables from related parties	119	60 days EOM	-
27	Advantech LNC Dong Guan Co., Ltd.	ACN	3	Sales revenue	2,809	Normal	-
		ACN	3	Receivables from related parties	95	90 days EOM	-
		LNC	3	Sales revenue	1,403	Normal	-
		LNC	3	Receivables from related parties	569	90 days EOM	-
28	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	713	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	35	60 days EOM	-
29	Cermate	The Company	2	Sales revenue	2,606	Normal	-
		The Company	2	Receivables from related parties	457	30-60 days	-
		The Company	2	Other revenue	296	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	104,225	Normal	-
		LNC	3	Sales revenue	6	Normal	-
30	Cermate (Shenzhen)	ACN	3	Sales revenue	17	Normal	-
		AKMC	3	Sales revenue	39,402	Normal	-
		AKMC	3	Receivables from related parties	394	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	29	Normal	-
		Cermate	3	Sales revenue	17,510	Normal	-
		Cermate	3	Receivables from related parties	1,964	60 days EOM	-
31	Hangzhou Advantofine Automation Tech. Co., Ltd.	ACN	3	Sales revenue	4,236	Normal	-
32	Advantech Innovative Design Co., Ltd.	The Company	2	Other revenue	1,000	Normal	-
33	AiST	The Company	2	Receivables from related parties	18	60 days EOM	-
		The Company	2	Sales revenue	26	Normal	-
34	Advanixs Corporate	AKMC	3	Sales revenue	1,583,883	Normal	4
		AKMC	3	Receivables from related parties	5,597	60-90 days	-
		The Company	2	Sales revenue	1,328,501	Normal	3
		The Company	2	Receivables from related parties	16,222	60-90 days	-
		Cermate	3	Sales revenue	202	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
35	LNC	The Company	2	Sales revenue	$ 2,451	Normal	-
		The Company	2	Rental revenue	1,539	Normal	-
		The Company	2	Receivables from related parties	359	60 days EOM	-
		The Company	2	Other revenue	6	Normal	-
		Advantech LNC Dong Guan Co., Ltd.	3	Receivables from related parties	183,546	90 days EOM	-
		Advantech LNC Dong Guan Co., Ltd.	3	Sales revenue	267,280	Normal	1
36	AdvanPOS	The Company	2	Sales revenue	1,342,553	Normal	3
		The Company	2	Receivables from related parties	747	60 days EOM	-
		The Company	2	Other revenue	76	Normal	-
		Advanixs Corporate	3	Sales revenue	4,601	Normal	-

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

1. Advantech Co., Ltd. is numbered “0”.
2. Subsidiaries are numbered from “1” onward.

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

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

Note C: For assets and liabilities, amounts are shown as a percentage of the Group’s consolidated total assets as of December 31, 2017, while revenue, costs and expenses are shown as a percentage of the Group’s consolidated total operating revenue for the year ended December 31, 2017.

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

(Concluded)

Enabling an Intelligent Planet

Advantech Co., Ltd.

K.C. Liu , Chairman

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