

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated financial statements of Advantech Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2018 and 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 15 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2018 and 2017, the combined total assets of these non-significant subsidiaries were NT\$7,719,688 thousand and NT\$6,539,328 thousand, respectively, representing 18.24% and 17.52%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$968,900 thousand and NT\$1,880,510 thousand, respectively, representing 7.50% and 17.25%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2018 and 2017, the amounts of combined comprehensive income of these subsidiaries were NT\$301,378 thousand and NT\$216,873 thousand, respectively, representing 19.67% and 23.99%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as of March 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting”.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 27, 2018

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 4,927,686	12	\$ 5,204,219	13	\$ 3,678,094	10
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	3,895,678	9	3,098,846	8	112,527	-
Available-for-sale financial assets - current (Notes 10 and 30)	-	-	229,381	1	3,256,045	9
Financial assets at amortized cost - current (Notes 9 and 32)	37,871	-	-	-	-	-
Debt investments with no active market - current (Notes 12 and 32)	-	-	38,908	-	56,547	-
Notes receivable (Note 13)	1,219,752	3	1,255,781	3	1,080,630	3
Trade receivables (Note 13)	6,562,536	16	6,596,030	16	5,621,205	15
Trade receivables from related parties (Note 31)	14,958	-	14,067	-	17,658	-
Other receivables	22,866	-	75,298	-	12,022	-
Inventories (Note 14)	6,817,517	16	6,242,251	15	5,798,701	16
Other current assets (Note 19)	435,481	1	445,791	1	521,509	1
Total current assets	<u>23,934,345</u>	<u>57</u>	<u>23,200,572</u>	<u>57</u>	<u>20,154,938</u>	<u>54</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 10 and 30)	-	-	1,430,854	4	1,771,420	5
Financial asset at fair value through other comprehensive income - non-current (Notes 8 and 30)	1,870,546	4	-	-	-	-
Financial assets measured at cost - non-current (Note 11)	-	-	78,518	-	-	-
Investments accounted for using the equity method (Note 16)	1,903,051	5	1,349,735	3	590,450	2
Property, plant and equipment (Notes 17 and 32)	9,915,571	23	9,967,332	24	9,966,137	27
Goodwill (Note 18)	2,695,399	6	2,727,549	7	2,805,585	7
Other intangible assets	1,078,233	3	1,124,407	3	1,244,497	3
Deferred tax assets (Notes 4 and 25)	405,884	1	398,441	1	335,198	1
Prepayments for business facilities	157,550	-	68,440	-	45,842	-
Prepayments for investments	-	-	-	-	75,000	-
Long-term prepayments for leases (Note 19)	316,072	1	312,708	1	308,298	1
Other non-current assets	47,512	-	45,213	-	35,806	-
Total non-current assets	<u>18,389,818</u>	<u>43</u>	<u>17,503,197</u>	<u>43</u>	<u>17,178,233</u>	<u>46</u>
TOTAL	<u>\$ 42,324,163</u>	<u>100</u>	<u>\$ 40,703,769</u>	<u>100</u>	<u>\$ 37,333,171</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 20 and 30)	\$ 8,100	-	\$ 8,400	-	\$ 476,600	1
Financial liabilities at fair value through profit or loss - current (Notes 7 and 30)	13,625	-	6,226	-	1,207	-
Notes payable and trade payables (Note 31)	5,376,055	13	5,280,728	13	3,497,600	9
Other payables (Notes 21 and 31)	3,148,922	7	3,624,710	9	2,994,888	8
Current tax liabilities (Notes 4 and 25)	1,486,641	4	1,269,165	3	1,426,430	4
Short-term warranty provisions	180,440	-	180,975	-	168,346	1
Current portion of long-term borrowings (Notes 20 and 30)	27,982	-	-	-	18,459	-
Other current liabilities	809,936	2	676,457	2	670,283	2
Total current liabilities	<u>11,051,701</u>	<u>26</u>	<u>11,046,661</u>	<u>27</u>	<u>9,253,813</u>	<u>25</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 20 and 30)	80,924	-	113,717	-	109,656	-
Deferred tax liabilities (Notes 4 and 25)	1,448,677	4	1,399,013	4	1,223,931	3
Net defined benefit liabilities (Note 22)	236,636	1	237,225	1	211,605	1
Other non-current liabilities	95,210	-	146,713	-	99,629	-
Total non-current liabilities	<u>1,861,447</u>	<u>5</u>	<u>1,896,668</u>	<u>5</u>	<u>1,644,821</u>	<u>4</u>
Total liabilities	<u>12,913,148</u>	<u>31</u>	<u>12,943,329</u>	<u>32</u>	<u>10,898,634</u>	<u>29</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	6,972,825	16	6,970,325	17	6,332,541	17
Advance receipts for share capital	1,750	-	2,500	-	-	-
Total share capital	<u>6,974,575</u>	<u>16</u>	<u>6,972,825</u>	<u>17</u>	<u>6,332,541</u>	<u>17</u>
Capital surplus	6,668,711	16	6,554,842	16	6,185,680	16
Retained earnings						
Legal reserve	5,039,962	12	5,039,962	13	4,473,276	12
Special reserve	85,204	-	85,204	-	-	-
Unappropriated earnings	10,619,513	25	9,297,896	23	9,640,825	26
Total retained earnings	<u>15,744,679</u>	<u>37</u>	<u>14,423,062</u>	<u>36</u>	<u>14,114,101</u>	<u>38</u>
Other equity						
Exchange differences on translation of foreign financial statements	(449,665)	(1)	(463,479)	(1)	(659,151)	(2)
Unrealized gain on available-for-sale financial assets	-	-	93,824	-	275,830	1
Unrealized gain on financial assets at fair value through other comprehensive income	296,033	1	-	-	-	-
Total other equity	<u>(153,632)</u>	<u>-</u>	<u>(369,655)</u>	<u>(1)</u>	<u>(383,321)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	<u>29,234,333</u>	<u>69</u>	<u>27,581,074</u>	<u>68</u>	<u>26,249,001</u>	<u>70</u>
NON-CONTROLLING INTERESTS	<u>176,682</u>	<u>-</u>	<u>179,366</u>	<u>-</u>	<u>185,536</u>	<u>1</u>
Total equity	<u>29,411,015</u>	<u>69</u>	<u>27,760,440</u>	<u>68</u>	<u>26,434,537</u>	<u>71</u>
TOTAL	<u>\$ 42,324,163</u>	<u>100</u>	<u>\$ 40,703,769</u>	<u>100</u>	<u>\$ 37,333,171</u>	<u>100</u>

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Note 31)				
Sales	\$ 11,058,097	97	\$ 9,824,662	98
Other operating revenue	<u>297,098</u>	<u>3</u>	<u>181,577</u>	<u>2</u>
Total operating revenue	11,355,195	100	10,006,239	100
OPERATING COSTS (Notes 14, 24 and 31)	<u>7,016,964</u>	<u>62</u>	<u>5,954,901</u>	<u>60</u>
GROSS PROFIT	<u>4,338,231</u>	<u>38</u>	<u>4,051,338</u>	<u>40</u>
OPERATING EXPENSES (Notes 24 and 31)				
Selling and marketing expenses	1,176,676	11	1,061,468	10
General and administrative expenses	594,200	5	600,786	6
Research and development expenses	<u>924,762</u>	<u>8</u>	<u>885,785</u>	<u>9</u>
Total operating expenses	<u>2,695,638</u>	<u>24</u>	<u>2,548,039</u>	<u>25</u>
OPERATING PROFIT	<u>1,642,593</u>	<u>14</u>	<u>1,503,299</u>	<u>15</u>
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 16)	21,507	-	(609)	-
Interest income	4,535	-	3,874	-
Losses on disposal of property, plant and equipment	(3,037)	-	(762)	-
Gains on disposal of investments (Note 23)	393	-	96,322	1
Foreign exchange losses, net (Note 24)	(2,756)	-	(202,444)	(2)
Gains on financial instruments at fair value through profit or loss	92,264	1	87,007	1
Dividend income	-	-	750	-
Other income (Note 31)	15,563	-	23,723	-
Finance costs (Note 24)	(1,222)	-	(2,717)	-
Losses on financial instruments at fair value through profit or loss	(27,367)	-	(1,207)	-
Other losses	<u>(981)</u>	<u>-</u>	<u>(8,317)</u>	<u>-</u>
Total nonoperating income	<u>98,899</u>	<u>1</u>	<u>(4,380)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,741,492	15	1,498,919	15
INCOME TAX EXPENSES (Note 25)	<u>(373,554)</u>	<u>(3)</u>	<u>(293,406)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>1,367,938</u>	<u>12</u>	<u>1,205,513</u>	<u>12</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements (Note 23)	\$ 3,078	-	\$ (551,131)	(6)
Unrealized gains on available-for-sale financial assets (Note 23)	-	-	163,401	2
Unrealized gains on investments in debt instruments at fair value through other comprehensive income (Note 23)	161,517	1	-	-
Share of the other comprehensive loss of associates accounted for using the equity method (Notes 16 and 23)	(1,663)	-	(8,370)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 23 and 25)	<u>976</u>	<u>-</u>	<u>94,528</u>	<u>1</u>
Other comprehensive income (loss) for the period, net of income tax	<u>163,908</u>	<u>1</u>	<u>(301,572)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,531,846</u>	<u>13</u>	<u>\$ 903,941</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,362,670	12	\$ 1,205,040	12
Non-controlling interests	<u>5,268</u>	<u>-</u>	<u>473</u>	<u>-</u>
	<u>\$ 1,367,938</u>	<u>12</u>	<u>\$ 1,205,513</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,537,640	13	\$ 906,923	9
Non-controlling interests	<u>(5,794)</u>	<u>-</u>	<u>(2,982)</u>	<u>-</u>
	<u>\$ 1,531,846</u>	<u>13</u>	<u>\$ 903,941</u>	<u>9</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.95</u>		<u>\$ 1.73</u>	
Diluted	<u>\$ 1.95</u>		<u>\$ 1.73</u>	

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

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

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ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								Other Equity (Note 23)			Non-controlling Interests (Notes 23 and 29)	Total Equity	
	Issued Capital (Notes 23 and 27)			Capital Surplus (Notes 23 and 24)	Retained Earnings (Note 23)				Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income			
	Share Capital	Advance Receipts for Ordinary Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2017	\$ 6,330,741	\$ 100	\$ 6,330,841	\$ 6,058,884	\$ 4,473,276	\$ -	\$ 8,435,785	\$ 12,909,061	\$ (197,633)	\$ 112,429	\$ -	\$ 25,213,582	\$ 173,315	\$ 25,386,897
Recognition of employee share options by the Company	1,800	(100)	1,700	14,467	-	-	-	-	-	-	-	16,167	-	16,167
Compensation cost recognized for employee share options	-	-	-	111,259	-	-	-	-	-	-	-	111,259	-	111,259
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,070	-	-	-	-	-	-	-	1,070	-	1,070
Additional non-controlling interests in subsidiaries acquired	-	-	-	-	-	-	-	-	-	-	-	-	15,203	15,203
Net profit for the three months ended March 31, 2017	-	-	-	-	-	-	1,205,040	1,205,040	-	-	-	1,205,040	473	1,205,513
Other comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	-	-	-	(461,518)	163,401	-	(298,117)	(3,455)	(301,572)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	-	1,205,040	1,205,040	(461,518)	163,401	-	906,923	(2,982)	903,941
BALANCE AT MARCH 31, 2017	<u>\$ 6,332,541</u>	<u>\$ -</u>	<u>\$ 6,332,541</u>	<u>\$ 6,185,680</u>	<u>\$ 4,473,276</u>	<u>\$ -</u>	<u>\$ 9,640,825</u>	<u>\$ 14,114,101</u>	<u>\$ (659,151)</u>	<u>\$ 275,830</u>	<u>\$ -</u>	<u>\$ 26,249,001</u>	<u>\$ 185,536</u>	<u>\$ 26,434,537</u>
BALANCE AT JANUARY 1, 2018	\$ 6,970,325	\$ 2,500	\$ 6,972,825	\$ 6,554,842	\$ 5,039,962	\$ 85,204	\$ 9,297,896	\$ 14,423,062	\$ (463,479)	\$ 93,824	\$ -	\$ 27,581,074	\$ 179,366	\$ 27,760,440
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(41,053)	(41,053)	-	(93,824)	134,877	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	6,972,825	6,554,842	5,039,962	85,204	9,256,843	14,382,009	(463,479)	-	134,877	27,581,074	179,366	27,760,440
Recognition of employee share options by the Company	2,500	(750)	1,750	12,985	-	-	-	-	-	-	-	14,735	-	14,735
Compensation cost recognized for employee share options	-	-	-	99,019	-	-	-	-	-	-	-	99,019	-	99,019
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,107	-	-	-	-	-	-	-	1,107	-	1,107
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	1,515	-	-	-	-	-	-	-	1,515	1,876	3,391
Recognition of employee share options by subsidiaries	-	-	-	(757)	-	-	-	-	-	-	-	(757)	1,234	477
Net profit for the three months ended March 31, 2018	-	-	-	-	-	-	1,362,670	1,362,670	-	-	-	1,362,670	5,268	1,367,938
Other comprehensive income for three months ended March 31, 2018	-	-	-	-	-	-	-	-	13,814	-	161,156	174,970	(11,062)	163,908
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	-	1,362,670	1,362,670	13,814	-	161,156	1,537,640	(5,794)	1,531,846
BALANCE AT MARCH 31, 2018	<u>\$ 6,972,825</u>	<u>\$ 1,750</u>	<u>\$ 6,974,575</u>	<u>\$ 6,668,711</u>	<u>\$ 5,039,962</u>	<u>\$ 85,204</u>	<u>\$ 10,619,513</u>	<u>\$ 15,744,679</u>	<u>\$ (449,665)</u>	<u>\$ -</u>	<u>\$ 296,033</u>	<u>\$ 29,234,333</u>	<u>\$ 176,682</u>	<u>\$ 29,411,015</u>

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,741,492	\$ 1,498,919
Adjustments for:		
Depreciation expenses	144,177	149,642
Amortization expenses	42,499	51,263
Amortization expenses for prepayments of lease obligations	2,236	2,196
Impairment loss recognized (reversed) on trade receivables	9,964	(4,683)
Net gain on financial assets or liabilities at fair value through profit or loss	(64,897)	(85,800)
Compensation costs of employee share options	99,019	111,259
Finance costs	1,222	2,717
Interest income	(4,535)	(3,874)
Dividend income	-	(750)
Share of (profit) loss of associates accounted for using the equity method	(21,507)	609
Loss on disposal of property, plant and equipment	3,037	762
Gain on disposal of investments	(393)	(96,322)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(784,332)	-
Financial assets held for trading	-	77,277
Notes receivable	36,029	(115,549)
Trade receivables	23,306	792,139
Trade receivables from related parties	(891)	(3,690)
Other receivables	52,432	1,753
Inventories	(575,266)	(171,008)
Other current assets	10,310	(29,002)
Notes payable and trade payables	95,327	(1,512,529)
Net defined benefit liabilities	(589)	(755)
Other payables	(475,547)	(963,429)
Short-term warranty provisions	(535)	1,224
Other current liabilities	133,479	9,409
Other non-current liabilities	(51,503)	(41,769)
Cash generated from (used in) operations	414,534	(329,991)
Interest received	4,535	3,874
Dividends received	-	750
Interest paid	(1,463)	(2,636)
Income tax paid	(77,854)	(92,823)
Net cash generated from (used in) operating activities	<u>339,752</u>	<u>(420,826)</u>

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortizes cost	\$ (120)	\$ -
Purchase of available-for-sale financial assets	-	(902,500)
Proceeds from sale of available-for-sale financial assets	-	803,911
Proceeds from sale (purchase) of debt investments with no active market	-	7,705
Purchase of investments accounted for using the equity method	(440,087)	-
Increase in prepayments for investments	-	(75,000)
Net cash flow on the acquisition of subsidiaries	-	(100,772)
Dividends received from associates	-	62
Payments for property, plant and equipment	(83,855)	(38,795)
Proceeds from disposal of property, plant and equipment	5,238	1,074
Increase in refundable deposits	(2,299)	-
Decrease in refundable deposits	-	16,265
Payments for intangible assets	(12,984)	(37,715)
Decrease (increase) in prepayments for business facilities	<u>(74,532)</u>	<u>9,498</u>
Net cash used in investing activities	<u>(608,639)</u>	<u>(316,267)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	13,550
Repayments of long-term borrowings	(750)	(4,274)
Exercise of employee share options	14,735	16,167
Decrease in non-controlling interests	<u>3,868</u>	<u>-</u>
Net cash generated from financing activities	<u>17,853</u>	<u>25,443</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(25,499)</u>	<u>(247,833)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(276,533)	(959,483)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>5,204,219</u>	<u>4,637,577</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 4,927,686</u>	<u>\$ 3,678,094</u>

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

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors April 27, 2018.

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

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

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

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

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

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. Please refer to Note 4 for related accounting policies.

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

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

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

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

For all contract modifications that occurred on or before December 31, 2017, the Group 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. This reduced the complexity and cost of retrospective application, and resulted in financial information that closely aligns with the financial information that would be available under IFRS 15 without the expedient.

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

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

In assessing a deferred tax asset, the Group currently 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.

b. 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 or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence, 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

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

d. Other significant accounting policies

Except for the related accounting policies of financial instruments and revenue recognition and the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2017.

1) Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

2) Financial instruments

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

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

a) Financial assets

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

i. Measurement categories

2018

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

i) Financial assets at FVTPL

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

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

ii) Financial assets at amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

iii) Investments in equity instruments at FVTOCI

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

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

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

2017

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

i) Financial assets at fair value through profit or loss

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

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

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

ii) Available-for-sale financial assets

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

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

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

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

iii) Loans and receivables

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

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

ii. Impairment of financial assets

2018

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

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

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

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

2017

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

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

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

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

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

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

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

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

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

iii. Derecognition of financial assets

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

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.

b) Equity instruments

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

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

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.

c) Financial liabilities

i. Subsequent measurement

Except the following situations, all financial liabilities are measured 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 30.

ii. Derecognition of financial liabilities

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

d) Derivative financial instruments

The Group enters into 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.

3) Revenue recognition

Contracts applicable to IFRS 15

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

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

a) Revenue from sale of goods

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

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

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

b) Revenue from rendering services

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

Contracts prior to 2018 without retrospectively application of IFRS 15

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

a) Sale of goods

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

- i. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. The amount of revenue can be measured reliably;
- iv. It is probable that the economic benefits associated with the transaction will flow to the Group; and
- v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

b) Rendering of services

Service income is recognized when services are provided.

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

c) Dividends and interest income

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

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

4) Retirement benefits

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

5) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. 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. Significant influence over associates

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

c. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	\$ 70,883	\$ 70,453	\$ 59,014
Checking accounts and demand deposits	4,599,543	4,942,396	3,282,748
Cash equivalents (time deposits with original maturities less than three months)	<u>257,260</u>	<u>191,370</u>	<u>336,332</u>
	<u>\$ 4,927,686</u>	<u>\$ 5,204,219</u>	<u>\$ 3,678,094</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2018	December 31, 2017	March 31, 2017
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ -	\$ 5,084	\$ 20,990
Non-derivative financial assets			
Domestic quoted shares	-	289,570	91,537
Foreign quoted shares	-	9,334	-
Mutual funds	-	2,794,858	-
	<u>-</u>	<u>3,098,846</u>	<u>112,527</u>
Financial assets mandatorily at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	3,270	-	-
Non-derivative financial assets			
Domestic quoted shares	231,375	-	-
Foreign quoted shares	7,865	-	-
Mutual funds	3,653,168	-	-
	<u>3,895,678</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,895,678</u>	<u>\$ 3,098,846</u>	<u>\$ 112,527</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 6,226</u>	<u>\$ 1,207</u>
Financial assets mandatorily at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 13,625</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 13,625</u>	<u>\$ 6,226</u>	<u>\$ 1,207</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2018</u>			
Sell	EUR/NTD	2018.04-2018.09	EUR15,500/NTD555,762
	EUR/USD	2018.04-2018.08	EUR1,500/USD1,838
	USD/NTD	2018.04	USD601/NTD17,589
	JPY/NTD	2018.04-2018.09	JPY490,000/NTD131,414
	RMB/NTD	2018.04-2018.06	RMB78,000/NTD355,391

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2017</u>			
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
<u>March 31, 2017</u>			
Sell	EUR/NTD	2017.04-2017.08	EUR4,000/NTD133,455
	EUR/USD	2017.04-2017.08	EUR11,000/USD11,845
	USD/NTD	2017.04-2017.06	USD5,992/NTD187,847
	JPY/NTD	2017.04-2017.09	JPY450,000/NTD126,107
	RMB/NTD	2017.04-2017.06	RMB75,000/NTD333,944
	RMB/USD	2017.04	RMB3,000/USD430
(Concluded)			

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

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

	March 31, 2018
<u>Non-current</u>	
Investments in equity instruments at FVTOCI	<u>\$ 1,870,546</u>
Investments in equity instruments at FVTOCI:	March 31, 2018
<u>Current</u>	
Domestic investments	
Listed shares and emerging market shares	
Ordinary shares - ASUSTek Computer Inc.	\$ 1,308,091
Ordinary shares - Allied Circuit Co., Ltd.	477,429
Unlisted shares	
Ordinary shares - BroadTec System Inc.	
Ordinary shares - BiosenseTek Corp.	3,767
Ordinary shares - Juguar Technology	173
Ordinary shares - Taiwan DSC PV Ltd.	7,560
	<u>527</u>
Foreign investments	<u>1,797,547</u>
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	69,704
JamaPro Co., Ltd.	<u>3,295</u>
	<u>72,999</u>
	<u>\$ 1,870,546</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

March 31, 2018

Current

Domestic investments

Time deposits with original maturity of more than 3 months	<u>\$ 37,871</u>
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The time deposits with original maturities of more than 3 months were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information related to their reclassification and comparative information for 2018.

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	March 31, 2017
<u>Current</u>		
Domestic investments		
Mutual funds	\$ -	\$ 2,769,752
Quoted shares	219,000	486,293
Foreign investments		
Quoted shares	<u>10,381</u>	<u>-</u>
	<u>\$ 229,381</u>	<u>\$ 3,256,045</u>
<u>Non-current</u>		
Domestic investments		
Quoted shares	\$ 1,419,479	\$ 1,762,045
Unlisted shares	<u>11,375</u>	<u>9,375</u>
	<u>\$ 1,430,854</u>	<u>\$ 1,771,420</u>

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.

11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	March 31, 2017
<u>Non-current</u>		
Private equity	<u>\$ 78,518</u>	<u>\$ -</u>
Classification according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 78,518</u>	<u>\$ -</u>

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

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017	March 31, 2017
Time deposits with original maturities of more than 3 months	<u>\$ 38,908</u>	<u>\$ 56,547</u>

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

13. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable - operating	<u>\$ 1,219,572</u>	<u>\$ 1,255,781</u>	<u>\$ 1,080,630</u>
<u>Trade receivables</u>			
Amortized cost			
Gross carrying amount	\$ 6,661,574	\$ 6,686,485	\$ 5,714,108
Less: Allowance for impairment loss	<u>(99,038)</u>	<u>(90,455)</u>	<u>(92,903)</u>
	<u>\$ 6,562,536</u>	<u>\$ 6,596,030</u>	<u>\$ 5,621,205</u>

Trade Receivables

For the three months ended March 31, 2018

- At amortized cost

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

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

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

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

March 31, 2018

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	3%	31%	56%	100%	-
Gross carrying amount	\$ 5,734,708	\$ 792,179	\$ 69,986	\$ 34,703	\$ 29,998	\$ 6,661,574
Loss allowance (Lifetime ECL)	<u>(4,659)</u>	<u>(22,985)</u>	<u>(21,867)</u>	<u>(19,529)</u>	<u>(29,998)</u>	<u>(99,038)</u>
Amortized cost	<u>\$ 5,730,049</u>	<u>\$ 769,194</u>	<u>\$ 48,119</u>	<u>\$ 15,174</u>	<u>\$ -</u>	<u>\$ 6,562,536</u>

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

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

	For the Three Months Ended March 31, 2018
Balance at January 1, 2018 - IAS 39	\$ 90,455
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 - IFRS 9	90,455
Add: Net remeasurement of loss allowance	9,964
Less: Amounts written off	(1,605)
Foreign exchange gains and losses	<u>224</u>
Balance at March 31, 2018	<u>\$ 99,038</u>

For the three months ended March 31, 2017

The Group applied the same credit policy in 2018 and 2017. The Group recognized an allowance for impairment loss of 100% against all receivables over 1 year because historical experience had been that receivables that are past due beyond 1 year were not recoverable. Allowance for impairment loss was recognized against trade receivables between 90 days and 1 year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

The aging of receivables was as follows:

	December 31, 2017	March 31, 2017
Not overdue	\$ 5,663,891	\$ 5,147,518
Overdue		
1 to 90 days	924,551	489,279
91 to 360 days	64,669	33,537
Over 360 days	<u>33,374</u>	<u>43,774</u>
	<u>\$ 6,686,485</u>	<u>\$ 5,714,108</u>

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

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

	December 31, 2017	March 31, 2017
1 to 30 days	\$ 763,822	\$ 400,635
31 to 60 days	117,935	67,725
61 to 90 days	<u>42,794</u>	<u>20,919</u>
	<u>\$ 924,551</u>	<u>\$ 489,279</u>

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 13,686	\$ 87,668	\$ 101,354
Less: Impairment losses reversed	-	(4,683)	(4,683)
Less: Amounts written off during the period as uncollectible	-	(393)	(393)
Business combinations	-	37	37
Foreign exchange translation gains and losses	<u>-</u>	<u>(3,412)</u>	<u>(3,412)</u>
Balance at March 31, 2017	<u>\$ 13,686</u>	<u>\$ 79,217</u>	<u>\$ 92,903</u>

14. INVENTORIES

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials	\$ 3,364,752	\$ 3,122,276	\$ 2,085,894
Work in process	1,448,128	1,235,097	1,241,147
Finished goods	1,271,200	1,335,817	1,843,632
Inventories in transit	<u>733,437</u>	<u>549,061</u>	<u>628,028</u>
	<u>\$ 6,817,517</u>	<u>\$ 6,242,251</u>	<u>\$ 5,798,701</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2018 and 2017 was \$6,920,365 thousand and \$5,902,455 thousand, respectively.

The costs of inventories were decreased by \$598,658 thousand, \$577,528 thousand and \$546,317 thousand as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively, when stated at the lower of cost or net realizable value.

15. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	AAC (BVI)	Investment and management service	100.00	100.00	100.00	
	ATC	Sale of industrial automation products	100.00	100.00	100.00	
	Advanixs Corporation	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Corporate Investment	Investment holding company	100.00	100.00	100.00	a
	AEUH	Investment and management services	100.00	100.00	100.00	
	ASG	Sale of industrial automation products	100.00	100.00	100.00	a
	AAU	Sale of industrial automation products	100.00	100.00	100.00	a
	AJP	Sale of industrial automation products	100.00	100.00	100.00	a
	AMY	Sale of industrial automation products	100.00	100.00	100.00	a
	AKR	Sale of industrial automation products	100.00	100.00	100.00	a
	ABR	Sale of industrial automation products	80.00	80.00	80.00	a
	AIN	Sale of industrial automation products	99.99	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	100.00	a
	LNC	Production and sale of machines with computerized numerical controls	80.06	81.17	81.17	a
	AMX	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	BEMC	Sale of industrial network communications systems	60.00	60.00	60.00	a
	AiST	Design, develop and sale of intelligent service	100.00	100.00	100.00	a
	AKST	Production and sale of intelligent medical displays	36.00	36.00	36.00	a, b
	AKR	ATH	Production of computers	51.00	-	-
AKST		Production and sale of intelligent medical displays	24.00	24.00	24.00	a, b
Advantech Corporate Investment	Cermate	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	-	-	a, d
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	-	-	a, d
ATC	ATC (HK)	Investment and management services	100.00	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2018	December 31, 2017	March 31, 2017	
ATC (HK)	AKMC	Production and sale of components of industrial automation products	100.00	100.00	100.00	
	Advanixs Kun Shan Corp.	Production and sale of industrial automation products	100.00	100.00	100.00	a
AAC (BVI)	ANA	Sale and fabrication of industrial automation products	100.00	100.00	100.00	
ANA	AAC (HK)	Investment and management service	100.00	100.00	100.00	
	BEMC	Sale of industrial network communications	40.00	40.00	40.00	
AAC (HK)	ACN	Sale of industrial automation products	100.00	100.00	100.00	
	AiSC	Production and sale of industrial automation products	100.00	100.00	100.00	a
	AXA	Development and production of software products	-	100.00	100.00	a, e
ACN	Hangzhou Advantofine Automation Co., Ltd.	Processing and sale of industrial automation products	-	100.00	100.00	f
	AXA	Development and production of software products	100.00	-	-	a, e
AEUH	AEU	Sale of industrial automation products	100.00	100.00	100.00	
	APL	Sale of industrial automation products	100.00	100.00	100.00	a
AEU	A-DLoG	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	100.00	a
ASG	ATH	Production of computers	49.00	51.00	51.00	a, c
	AID	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate	Land Mark	General investment	100.00	100.00	100.00	a
Land Mark	Cermate (Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
	Cermate (Shenzhen)	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
LNC (formerly ALNC)	Better Auto	General investment	100.00	100.00	100.00	a
Better Auto	Famous Now Limited	General investment	100.00	100.00	100.00	a
Famous Now Limited	Advantech LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a
BEMC	Avtek	General investment	100.00	100.00	100.00	
Avtek	B+B	General investment	100.00	100.00	100.00	
B+B	BBI	Sale of industrial network communications systems	100.00	100.00	100.00	
	Quatech	Sale of industrial network communications systems	100.00	100.00	100.00	
	IMC	Sale of industrial network communications systems	100.00	100.00	100.00	
BBI	B&B Electronics	Sale of industrial network communications systems	100.00	100.00	100.00	
	B+B (CZ)	Manufacturing of cellular and automation solutions	99.99	99.99	99.99	
	Conel Automation	Sale of industrial network communications systems	1.00	1.00	1.00	
	B&B DMCC	Sale of industrial network communications systems	100.00	100.00	100.00	
B&B Electronics	B+B (CZ)	Manufacturing of cellular and automation solutions	0.01	0.01	0.01	
B+B (CZ)	Conel Automation	Sale of industrial network communications systems	99.00	99.00	99.00	

(Concluded)

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

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

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

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

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

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2018	December 31, 2017	March 31, 2017
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. (“Axiomtek”)	\$ 644,887	\$ 622,604	\$ 464,091
Winmate Inc. (“Winmate”)	549,795	544,960	-
AzureWare Technologies, Inc. (“AzureWare”)	532,078	-	-
Unlisted companies			
AIMobile Co., Ltd. (“AIMobile”)	80,552	84,140	100,761
Deneng Scientific Research Co., Ltd. (“Deneng”)	14,804	15,457	16,102
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	10,381	10,447	9,496
CDIB Innovation Accelerator Co., Ltd. (“CDIB”)	<u>70,554</u>	<u>72,127</u>	<u>-</u>
	<u>\$ 1,903,051</u>	<u>\$ 1,349,735</u>	<u>\$ 590,450</u>

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

In the first quarter of 2018, the Group subscribed for 18% of the equity of AzureWave Technologies, Inc. through a private placement with the approval of the board of directors. The Group has significant influence over AzureWave Technologies, Inc.

Aggregate Information of Associates That Are Not Individually Material

	For the Three Months Ended March 31	
	2018	2017
The Group’s share of		
Profit (loss) from continuing operations	\$ 21,507	\$ (609)
Other comprehensive loss	<u>(1,663)</u>	<u>(8,370)</u>
Total comprehensive income (loss) for the period	<u>\$ 19,844</u>	<u>\$ (8,979)</u>

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
Balance at January 1, 2017	\$ 2,948,580	\$ 7,080,989	\$ 1,631,738	\$ 862,409	\$ 1,605,230	\$ 43,289	\$ 14,172,235
Additions	-	15,603	18,385	10,453	30,892	19,199	94,532
Disposals	-	-	(6,893)	(5,650)	(11,434)	-	(23,977)
Acquisition through business combinations	29,007	44,460	24,903	6,163	4,952	-	109,485
Reclassifications	-	(1,046)	4,178	(9,379)	40,484	(48,751)	(14,514)
Effect of foreign currency exchange differences	(11,271)	(134,910)	(29,562)	(26,662)	(45,864)	(346)	(248,615)
Balance at March 31, 2017	<u>\$ 2,966,316</u>	<u>\$ 7,005,096</u>	<u>\$ 1,642,749</u>	<u>\$ 837,334</u>	<u>\$ 1,624,260</u>	<u>\$ 13,391</u>	<u>\$ 14,089,146</u>
Accumulated depreciation and impairment							
Balance at January 1, 2017	\$ -	\$ 1,228,673	\$ 1,155,669	\$ 644,435	\$ 1,053,622	\$ -	\$ 4,082,399
Depreciation expenses	-	47,916	29,729	24,254	47,743	-	149,642
Disposals	-	-	(6,899)	(4,959)	(10,283)	-	(22,141)
Acquisition through business combinations	-	741	15,453	4,671	3,948	-	24,813
Reclassifications	-	3	9	(6,916)	152	-	(6,752)
Effect of foreign currency exchange differences	-	(37,795)	(18,312)	(20,688)	(28,157)	-	(104,952)
Balance at March 31, 2017	<u>\$ -</u>	<u>\$ 1,239,538</u>	<u>\$ 1,175,649</u>	<u>\$ 640,797</u>	<u>\$ 1,067,025</u>	<u>\$ -</u>	<u>\$ 4,123,009</u>
Carrying amounts at March 31, 2017	<u>\$ 2,966,316</u>	<u>\$ 5,765,558</u>	<u>\$ 467,100</u>	<u>\$ 196,537</u>	<u>\$ 557,235</u>	<u>\$ 13,391</u>	<u>\$ 9,966,137</u>
Cost							
Balance at January 1, 2018	\$ 2,943,980	\$ 7,274,546	\$ 1,634,925	\$ 830,623	\$ 1,729,582	\$ 4,257	\$ 14,417,913
Additions	-	9,555	12,929	14,809	32,901	13,661	83,855
Disposals	-	-	(58,578)	(2,934)	(14,649)	(1,308)	(77,469)
Reclassifications	-	(2,766)	19,282	(30,369)	(8,931)	(13,257)	(36,041)
Effect of foreign currency exchange differences	(1,673)	40,519	8,856	2,845	9,076	86	59,709
Balance at March 31, 2018	<u>\$ 2,942,307</u>	<u>\$ 7,321,854</u>	<u>\$ 1,617,414</u>	<u>\$ 814,974</u>	<u>\$ 1,747,979</u>	<u>\$ 3,439</u>	<u>\$ 14,447,967</u>
Accumulated depreciation and impairment							
Balance at January 1, 2018	\$ -	\$ 1,414,696	\$ 1,186,494	\$ 651,244	\$ 1,198,147	\$ -	\$ 4,450,581
Depreciation expenses	-	-	(52,916)	(2,889)	(13,389)	-	(69,194)
Disposals	-	50,005	26,234	19,199	48,739	-	144,177
Reclassifications	-	(551)	8,503	(28,778)	183	-	(20,643)
Effect of foreign currency exchange differences	-	13,059	5,227	2,214	6,975	-	27,475
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 1,477,209</u>	<u>\$ 1,173,542</u>	<u>\$ 640,990</u>	<u>\$ 1,240,655</u>	<u>\$ -</u>	<u>\$ 4,532,396</u>
Carrying amounts at March 31, 2018	<u>\$ 2,942,307</u>	<u>\$ 5,844,645</u>	<u>\$ 443,872</u>	<u>\$ 173,984</u>	<u>\$ 507,324</u>	<u>\$ 3,439</u>	<u>\$ 9,915,571</u>

In addition to recognizing of depreciation expenses, the Group did not have any significant addition, disposal or impairment of property, plant and equipment for the three-month periods ended March 31, 2018 and 2017.

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

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

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

18. GOODWILL

	For the Three Months Ended March 31	
	2018	2017
<u>Cost</u>		
Balance at January 1	\$ 2,828,958	\$ 2,845,831
Additional amounts recognized from business combinations occurring during the year (Note 28)	-	79,713
Effect of foreign currency exchange differences	<u>(35,771)</u>	<u>(119,959)</u>
Balance at December 31	<u>\$ 2,793,187</u>	<u>\$ 2,805,585</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (101,409)	\$ -
Effect of foreign currency exchange differences	<u>3,621</u>	<u>-</u>
Balance at December 31	<u>\$ (97,788)</u>	<u>\$ -</u>
Carry amount at December 31	<u>\$ 2,695,399</u>	<u>\$ 2,805,585</u>

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

19. PREPAYMENTS FOR LEASES

	March 31, 2018	December 31, 2017	March 31, 2017
Current assets (included in other current assets)	\$ 9,013	\$ 8,854	\$ 8,547
Non-current assets	<u>316,072</u>	<u>312,708</u>	<u>308,298</u>
	<u>\$ 325,085</u>	<u>\$ 321,562</u>	<u>\$ 316,845</u>

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

20. BORROWINGS

a. Short-term borrowings

	March 31, 2018	December 31, 2017	March 31, 2017
Secured borrowings			
Bank loans	\$ 81,000	\$ 8,400	\$ -
Unsecured borrowings			
Line of credit borrowings	<u>-</u>	<u>-</u>	<u>476,600</u>
	<u>\$ 81,000</u>	<u>\$ 8,400</u>	<u>\$ 476,600</u>

The range of weighted average effective interest rates on bank loans was 2.98%, 2.87% and 0.28-2.87% per annum as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

b. Long-term borrowings

	March 31, 2018	December 31, 2017	March 31, 2017
<u>Secured borrowings</u>			
Bank loans	\$ 48,463	\$ 50,258	\$ 38,475
Other borrowings	60,443	63,459	63,450
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>-</u>	<u>-</u>	<u>26,190</u>
	108,906	113,717	128,115
Less: Current portions	<u>(27,982)</u>	<u>-</u>	<u>(18,459)</u>
Long-term borrowings	<u>\$ 80,924</u>	<u>\$ 113,717</u>	<u>\$ 109,656</u>

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

Other borrowings are loans from the government. As of March 31, 2018, December 31, 2017 and March 31, 2017, the effective interest rate was 2.91%-3.16%, 2.91%-3.16% and 3.08%-3.30%.

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

21. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Other payables			
Payables for salaries or bonuses	\$ 1,875,215	\$ 2,324,441	\$ 1,819,613
Payables for employee benefits	183,341	180,617	165,595
Payables for royalties	118,544	118,347	130,386
Others (Note)	<u>971,822</u>	<u>1,001,305</u>	<u>879,294</u>
	<u>\$ 3,148,922</u>	<u>\$ 3,624,710</u>	<u>\$ 2,994,888</u>

Note: Including marketing expenses, and freight expenses.

22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,412 thousand and \$1,250 thousand for the three months ended March 31, 2018 and 2017, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

23. EQUITY

a. Share capital

Ordinary shares

	March 31, 2018	December 31, 2017	March 31, 2017
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>697,457</u>	<u>697,283</u>	<u>633,254</u>
Shares issued	<u>\$ 6,974,575</u>	<u>\$ 6,972,825</u>	<u>\$ 6,332,541</u>

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

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

b. Capital surplus

	March 31, 2018	December 31, 2017	March 31, 2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 3,396,888	\$ 3,396,888	\$ 3,396,888
Conversion of bonds	931,849	931,849	931,849
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	19,359	17,844	17,844
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	4,246	5,003	4,246
Employee share options	1,291,394	1,241,557	1,118,084
Employees' share compensation	78,614	78,614	78,614

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
<u>Not note be used for any purpose</u>			
Share of changes in capital surplus of associates	\$ 26,392	\$ 25,285	\$ 24,301
Employee share options	<u>919,969</u>	<u>857,802</u>	<u>613,854</u>
	<u>\$ 6,668,711</u>	<u>\$ 6,554,842</u>	<u>\$ 6,185,680</u> (Concluded)

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

c. Retained earnings and dividend policy

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

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

An appropriation of earnings to a legal reserve 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.

The appropriations of earnings, for 2017 and 2016 which have been proposed by the Company's board of directors on March 2, 2018 and approved in the shareholders' meetings on May 26, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	\$ 615,651	\$ 566,686	\$ -	\$ -
Special reserve	284,451	85,204	-	-
Cash dividends	4,660,414	3,988,367	6.6	6.3
Share dividends	-	633,074	-	1.0

The appropriations of earnings for 2017 are subject to the resolution in the shareholders' meeting to be held on May 24, 2018.

d. Special reserves

	For the Three Months Ended March 31, 2018
Balance at January 1	<u>\$ 85,204</u>
Balance at March 31	<u>\$ 85,204</u>

e. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Three Months Ended March 31	
	2018	2017
Balance at January 1	\$ (463,479)	\$ (197,633)
Effect of change in tax rate	3,544	-
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign entities	11,312	(454,571)
Share of those of associates accounted for using the equity method	<u>(1,042)</u>	<u>(6,947)</u>
Other comprehensive income recognized for the period	<u>(13,814)</u>	<u>(461,518)</u>
Balance at March 31	<u>\$ (449,665)</u>	<u>\$ (659,151)</u>

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

Balance at January 1, 2017	<u>\$ 112,429</u>
Recognized during the period	
Unrealized gain arising on revaluation of available-for-sale financial assets	67,079
Reclassification adjustment	
Disposal of available-for-sale financial assets	<u>96,322</u>
Other comprehensive income recognized for the period	<u>163,401</u>
Balance at March 31, 2017	<u>\$ 275,830</u>

3) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Three Months Ended March 31, 2018
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>134,877</u>
Balance at January 1 per IFRS 9	<u>134,877</u>
Recognized during the period	
Unrealized gain - equity instruments	161,517
Share of those of associates accounted for using the equity method	<u>(361)</u>
Other comprehensive income recognized for the period	<u>161,156</u>
 Balance at March 31	 <u>\$ 296,033</u>

f. Non-controlling interests

	For the Three Months Ended March 31	
	2018	2017
Balance at January 1	\$ 179,366	\$ 173,315
Share of profit for the period	5,268	473
Other comprehensive income recognized for the period		
Exchange difference arising on translating the financial statements of foreign entities	(11,062)	(3,455)
Partial disposal of subsidiaries (Note 29)	1,876	-
Non-controlling interests arising from acquisition of subsidiaries AKST (Note 28)	-	15,203
Equity instruments held by the employees of subsidiaries (Note 27)	<u>1,234</u>	<u>-</u>
 Balance at March 31	 <u>\$ 176,682</u>	 <u>\$ 185,536</u>

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended March 31	
	2018	2017
Interest on bank loans	\$ 193	\$ 2,561
Others	<u>1,029</u>	<u>156</u>
	<u>\$ 1,222</u>	<u>\$ 2,717</u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2018	2017
Property, plant and equipment	\$ 144,177	\$ 149,642
Intangible assets	<u>42,499</u>	<u>51,263</u>
	<u>\$ 186,676</u>	<u>\$ 200,905</u>
An analysis of depreciation by function		
Operating costs	\$ 34,930	\$ 36,971
Operating expenses	<u>109,247</u>	<u>112,671</u>
	<u>\$ 144,177</u>	<u>\$ 149,642</u>
An analysis of amortization by function		
Operating costs	\$ 914	\$ 1,244
Selling and marketing expenses	16,891	30
General and administrative expenses	17,041	42,362
Research and development expenses	<u>7,653</u>	<u>7,627</u>
	<u>\$ 42,499</u>	<u>\$ 51,263</u>

c. Employee benefits expense

	For the Three Months Ended March 31	
	2018	2017
Short-term benefits	\$ 2,049,696	\$ 1,863,796
Post-employment benefits		
Defined contribution plans	76,788	77,438
Defined benefit plans (Note 22)	<u>1,412</u>	<u>1,250</u>
	78,200	78,688
Share-based payments		
Equity-settled	99,019	111,259
Other employee benefits	<u>145,631</u>	<u>149,354</u>
Total employee benefits expense	<u>\$ 2,372,546</u>	<u>\$ 2,203,097</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 492,718	\$ 474,151
Operating expenses	<u>1,879,828</u>	<u>1,728,946</u>
	<u>\$ 2,372,546</u>	<u>\$ 2,203,097</u>

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. For the three month ended March 31, 2018 and 2017, the employees' compensation and the remuneration of directors and supervisors were accrued of net profit after income tax.

	For the Three Months Ended March 31	
	2018	2017
Employees' compensation	<u>\$ 68,250</u>	<u>\$ 60,750</u>
Remuneration of directors and supervisors	<u>\$ 2,650</u>	<u>\$ 3,075</u>

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

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

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

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 years ended December 31, 2017 and 2016.

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 Three Months Ended March 31	
	2018	2017
Foreign exchange gains	\$ 258,485	\$ 253,987
Foreign exchange losses	<u>(261,241)</u>	<u>(456,431)</u>
Net loss	<u>\$ (2,756)</u>	<u>\$ (202,444)</u>

25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2018	2017
Current tax		
In respect of the current period	\$ 362,256	\$ 293,309
Adjustment for prior years	(31,900)	-
Deferred tax		
In respect of the current period	4,641	97
Change in tax rate	<u>38,557</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 373,554</u>	<u>\$ 293,406</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate is adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is \$185,530 thousand, for which \$146,973 thousand has not been recognized as of March 31, 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2018	2017
<u>Deferred tax</u>		
Change in tax rate	\$ (3,544)	\$ -
In respect of current period		
Translation of foreign operations	<u>2,567</u>	<u>(94,528)</u>
Income tax recognized in other comprehensive income	<u>\$ (977)</u>	<u>\$ (94,528)</u>

c. Income tax assessments

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

26. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Three Months Ended March 31	
	2018	2017
Basic earnings per share	<u>\$ 1.95</u>	<u>\$ 1.73</u>
Diluted earnings per share	<u>\$ 1.95</u>	<u>\$ 1.73</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the effect of free stock allotment on July 8, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended March 31, 2017 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.90</u>	<u>\$ 1.73</u>
Diluted earnings per share	<u>\$ 1.90</u>	<u>\$ 1.73</u>

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2018	2017
Earnings used in the computation of basic earnings per share	<u>\$ 1,362,670</u>	<u>\$ 1,205,040</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,362,670</u>	<u>\$ 1,205,040</u>

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

	For the Three Months Ended March 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	697,404	696,520
Effect of potentially dilutive ordinary shares:		
Employee share options	936	780
Employees' compensation	<u>1,211</u>	<u>942</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>699,551</u>	<u>634,866</u>

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.

27. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 6,500 options in 2016 and 5,000 options in 2014. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The holders of these shares include employees whom meet certain criteria set by the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 2016 and 2014 are both valid for six years. All are exercisable at certain percentages after the second anniversary year from the grant date. The exercise price of those granted in

2016 and 2014 was both NT\$100 per share. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options will be adjusted accordingly.

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2018		2017	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	9,378	\$ 95.15	10,269	\$100.00
Options exercised	<u>(175)</u>	84.20	<u>(170)</u>	95.10
Balance at March 31	<u>9,203</u>	-	<u>10,099</u>	-
Options exercisable, end of the period	<u>2,703</u>	84.20	<u>3,599</u>	95.10
Weighted-average fair value of options granted (NT\$)	<u>—</u>		<u>—</u>	

The weighted-average share price at the date of exercise of share options for the three months ended March 31, 2018 and 2017 were from NT\$213 to NT\$226 and NT\$255 to NT\$266, respectively.

Information about outstanding options as of March 31, 2018 and 2017 was as follows:

	For the Three Months Ended December 31			
	2018		2017	
	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2016	\$ 88.5	4.20	\$100.00	5.20
Issuance in 2014	84.2	2.38	95.10	3.38

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

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

Expected volatility was based on the historical share price volatility over the past 5 years.

Compensation cost recognized was \$99,019 thousand and \$111,259 thousand for the three months ended March 31, 2018 and 2017, respectively.

Qualified employees of LNC, a subsidiary of the Company, were granted 1,092 options in June 2017. Each option entitles the holder to subscribe for one thousand common shares of LNC. These options were valid for four years. All were exercisable at certain percentages after the first anniversary year from the grant date. 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 Three Months Ended March 31, 2018	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	980	\$ 20
Balance at March 31	<u>980</u>	20
Options exercisable, end of the period	<u>-</u>	
Weighted-average fair value of options granted (NT\$)	<u>-</u>	

Information on outstanding options for the three months ended March 31, 2018 is as follows:

	2017
Exercise price (NT\$)	\$20
Weighted-average remaining contractual life (years)	3.42

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

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

Compensation cost recognized was \$302 thousand for the three months ended March 31, 2018.

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	<u>\$ 120,592</u>

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.

b. Consideration transferred

	AKST
Cash	\$ 102,517
Contingent consideration arrangement (Notes 1 and 2)	<u>48,528</u>
	<u>\$ 151,045</u>
	(US\$ 4,800 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. Since the profits of AKST did not turn out as forecasted, the Group expects that there is no need to pay the contingent consideration.

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

	AKST
Current assets	
Cash and cash equivalents	\$ 1,745
Trade receivables	20,426
Inventories	30,457
Debt investments with no active market - current	54,324
Other current assets	2,877
Non-current assets	
Plant and equipment	84,672
Intangible assets	9,921
Deferred tax assets	4,207
Other non-current assets	926
Current liabilities	
Short-term borrowings	(8,100)
Trade and other payables	(26,748)
Current portion of long-term borrowings	(22,733)
Other current liabilities	(1,646)
Non-current liabilities	
Long-term borrowings	(109,656)
Deferred tax liabilities	<u>(2,665)</u>
	<u>\$ 38,007</u>

d. Non-controlling interests

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

e. Goodwill recognized on acquisitions

	AKST
Consideration transferred	\$ 102,517
Less: Fair value of identifiable net assets acquired	<u>(22,804)</u>
Goodwill recognized on acquisitions	<u>\$ 79,713</u>

The goodwill recognized in the acquisitions of AKST 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. 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
Consideration paid in cash	\$ 102,517
Less: Cash and cash equivalent balances acquired	<u>(1,745)</u>
	<u>\$ 100,772</u>

g. Impact of acquisitions on the results of the Group

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

	For the Three Months Ended March 2017
	AKST
Revenue	<u>\$ 36,598</u>
Loss	<u>\$ (19,063)</u>

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

	For the Three Months Ended March 31, 2018
	LNC
Cash consideration paid	\$ 3,391
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(1,876)</u>
Differences recognized from equity transactions	<u>\$ 1,515</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ 1,515</u>

30. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 3,270	\$ -	\$ 3,270
Securities listed in ROC	231,375	-	-	231,375
Securities listed in other country	7,865	-	-	7,865
Mutual funds	<u>3,653,168</u>	<u>-</u>	<u>-</u>	<u>3,653,168</u>
	<u>\$ 3,892,408</u>	<u>\$ 3,270</u>	<u>\$ -</u>	<u>\$ 3,895,678</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,785,520	\$ -	\$ -	\$ 1,785,520
Unlisted securities - ROC	-	-	12,027	12,027
Unlisted shares in other country	<u>-</u>	<u>-</u>	<u>72,999</u>	<u>72,999</u>
	<u>\$ 1,785,520</u>	<u>\$ -</u>	<u>\$ 85,026</u>	<u>\$ 1,870,546</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 13,625</u>	<u>\$ -</u>	<u>\$ 13,625</u>

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	<u>2,794,858</u>	<u>-</u>	<u>-</u>	<u>2,794,858</u>
	<u>\$ 3,093,762</u>	<u>\$ 5,084</u>	<u>\$ -</u>	<u>\$ 3,098,846</u>
Available-for-sale financial assets				
Equity securities				
Securities listed in ROC	\$ 1,638,479	\$ -	\$ -	\$ 1,638,479
Unlisted securities - ROC	-	-	11,375	11,375
Securities listed in other countries	<u>10,381</u>	<u>-</u>	<u>-</u>	<u>10,381</u>
	<u>\$ 1,648,860</u>	<u>\$ -</u>	<u>\$ 11,375</u>	<u>\$ 1,660,235</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 6,226</u>	<u>\$ -</u>	<u>\$ 6,226</u>

March 31, 2017

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

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 three months ended March 31, 2018

	Financial Assets at Fair Value Through Other Comprehensive Income	
	Equity Instruments	Total
<u>Financial assets</u>		
Balance at January 1, 2018	\$ -	\$ -
Reclassification	89,893	89,893
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	<u>(4,867)</u>	<u>(4,867)</u>
Balance at March 31, 2018	<u>\$ 85,026</u>	<u>\$ 85,026</u>

For the three months ended March 31, 2017

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ -	\$ 303,988	\$ 112,527
Designated as at FVTPL	-	2,794,858	-
Mandatorily at FVTPL	3,892,408	-	-
Loans and receivables (Note 1)	-	13,184,303	10,466,156
Available-for-sale financial assets (Note 2)	-	1,738,753	5,027,465
Financial assets at amortized cost (Note 3)	12,785,669	-	-
Financial assets at FVTOCI			
Equity instruments	1,870,546	-	-
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	-	6,226	1,207
Mandatorily at FVTPL	13,625	-	-
Financial assets at amortized cost (Note 4)	8,641,983	9,027,555	7,097,203

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market - current, notes receivable, trade receivables, trade receivables from related parties and other receivables.

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

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

Note 4: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable and trade payables, other payables, current portion of long-term borrowings and long-term borrowings.

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

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

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2018	2017	2018	2017	2018	2017
Profit or loss	\$ 81,837 (Note 1)	\$ 105,676 (Note 1)	\$ 66,026 (Note 2)	\$ 58,255 (Note 2)	\$ 38,259 (Note 3)	\$ 56,630 (Note 3)

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

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

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

b) Interest rate risk

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
Fair value interest rate risk			
Financial assets	\$ 295,131	\$ 230,278	\$ 427,169
Financial liabilities	41,173	42,698	-
Cash flow interest rate risk			
Financial assets	4,067,153	4,452,477	2,621,410
Financial liabilities	75,833	79,419	604,715

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2018 and 2017 would have increased by \$4,989 thousand and \$2,521 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profit for the three months ended March 31, 2018 would have increased by \$2,392 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2018 would have increased by \$18,705 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% higher, pre-tax profits for the three months ended March 31, 2017 would have increased by \$915 thousand as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the three months ended March 31, 2017 would have increased by \$50,275 thousand as a result of the changes in fair value of available-for-sale investments. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

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

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically,

bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

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

March 31, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,003,903	\$ 1,443,831	\$ 1,077,243	\$ -
Variable interest rate liabilities	183	366	9,745	81,828
Fixed interest rate liabilities	<u>63</u>	<u>127</u>	<u>571</u>	<u>41,611</u>
	<u>\$ 6,004,149</u>	<u>\$ 1,444,324</u>	<u>\$ 1,087,559</u>	<u>\$ 123,439</u>

December 31, 2017

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

March 31, 2017

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

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

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

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

March 31, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 299,342	\$ 503,236	\$ 311,078	\$ 1,113,656
Outflows	<u>305,203</u>	<u>510,178</u>	<u>308,630</u>	<u>1,124,011</u>
	<u>\$ (5,861)</u>	<u>\$ (6,942)</u>	<u>\$ (2,448)</u>	<u>\$ (10,355)</u>

December 31, 2017

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

March 31, 2017

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

c) Financing facilities

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	\$ -	\$ -	\$ 502,790
Amount unused	<u>3,869,200</u>	<u>4,034,100</u>	<u>3,599,050</u>
	<u>\$ 3,869,200</u>	<u>\$ 4,034,100</u>	<u>\$ 4,101,840</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ 117,006</u>	<u>\$ 122,117</u>	<u>\$ 101,925</u>

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

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

b. Sales of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2018	2017
Associates	<u>\$ 20,897</u>	<u>\$ 23,080</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2018	2017
Associates	<u>\$ 19,667</u>	<u>\$ 21,780</u>

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

Line Items	Related Party Categories/Name	March 31, 2018	December 31, 2017	March 31, 2017
Trade receivables from related parties	Associates	<u>\$ 14,958</u>	<u>\$ 14,067</u>	<u>\$ 17,658</u>

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

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

Line Items	Related Party Categories/Name	March 31, 2018	December 31, 2017	March 31, 2017
Trade payables	Associates	<u>\$ 21,284</u>	<u>\$ 19,499</u>	<u>\$ 11,863</u>
Other payables	Other related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 931</u>

The outstanding trade payables to related parties are unsecured.

f. Other transactions with related parties

Related Party Category/Name	<u>Operating Expenses</u>	
	<u>For the Three Months Ended March 31</u>	
	2018	2017
Research and development expenses		
Associates	<u>\$ 1,688</u>	<u>\$ 997</u>

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.

	<u>Other Income</u>	
	<u>For the Three Months Ended March 31</u>	
	2018	2017
Rental income		
Other related parties	<u>\$ 15</u>	<u>\$ 15</u>
Others		
Other related parties	<u>\$ 676</u>	<u>\$ 676</u>

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

g. Compensation of key management personnel

	For the Three Months Ended March 31	
	2018	2017
Short-term employee benefits	\$ 11,794	\$ 8,587
Post-employment benefits	50	24
Share-based payments	<u>7,378</u>	<u>2,903</u>
	<u>\$ 19,231</u>	<u>\$ 11,514</u>

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31	
	2018	2017
Pledge deposits (recognized as debt investments with no active market)	\$ 28,912	\$ 34,290
Property, plant and equipment	<u>67,068</u>	<u>67,068</u>
	<u>\$ 95,980</u>	<u>\$ 101,358</u>

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2018

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 196,259	29.105 (USD:NTD)	\$ 5,712,118
RMB	437,651	4.6470 (RMB:NTD)	2,033,764
EUR	39,600	35.870 (EUR:NTD)	1,420,452
USD	16,312	6.2632 (USD:RMB)	474,761
RMB	44,522	0.1597 (RMB:USD)	<u>206,907</u>

\$ 9,848,002

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 127,721	29.105 (USD:NTD)	\$ 3,717,320
RMB	239,453	4.6470 (RMB:NTD)	1,112,738
USD	29,215	6.2632 (USD:RMB)	<u>850,303</u>
			<u>\$ 5,680,361</u> (Concluded)

December 31, 2017

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 204,045	29.760 (USD:NTD)	\$ 6,072,379
RMB	370,046	4.5650 (RMB:NTD)	1,689,260
EUR	32,336	35.570 (EUR:NTD)	1,150,192
USD	18,340	6.5192 (USD:RMB)	<u>545,801</u>
			<u>\$ 9,457,632</u>
<u>Financial liabilities</u>			
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)	<u>842,512</u>
			<u>\$ 5,307,873</u>

March 31, 2017

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 186,929	30.330 (USD:NTD)	\$ 5,669,557
RMB	428,035	4.4070 (RMB:NTD)	1,886,350
EUR	27,649	32.430 (EUR:NTD)	896,657
USD	8,145	6.8822 (USD:RMB)	<u>247,039</u>
			<u>\$ 8,699,603</u>
<u>Financial liabilities</u>			
Monetary items			
USD	105,194	30.330 (USD:NTD)	\$ 3,190,534
USD	26,187	6.8822 (USD:RMB)	794,252
RMB	194,940	4.4070 (RMB:NTD)	<u>859,101</u>
			<u>\$ 4,843,887</u>

For the three months ended March 31, 2018 and 2017, realized and unrealized net foreign exchange losses were \$2,756 thousand and \$202,444 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)

- 9) Transactions of financial instruments. (Notes 7 and 30)
 - 10) Significant transactions between the Company and subsidiaries. (Table 10)
 - 11) Name, locations, and other information of investees. (Table 7)
 - 12) Organization chart. (Table 9)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or losses, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

35. SEGMENT INFORMATION

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

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

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

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

Segment Revenue and Results

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

	Industrial Interest of Thing Services	Embedded Boards and Design-in Services	Allied Design Manufacture Services	Intelligent Services	Global Customer Services	Others	Total
<u>For the three months ended March 31, 2018</u>							
Revenue from external customers	\$ 4,059,994	\$ 3,216,936	\$ 1,895,214	\$ 1,068,559	\$ 1,512,531	\$ (398,039)	\$ 11,355,195
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 4,059,994</u>	<u>\$ 3,216,936</u>	<u>\$ 1,895,214</u>	<u>\$ 1,068,559</u>	<u>\$ 1,512,531</u>	<u>\$ (398,039)</u>	<u>11,355,195</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>11,355,915</u>
Segment income	<u>\$ 928,967</u>	<u>\$ 533,321</u>	<u>\$ 286,061</u>	<u>\$ 72,215</u>	<u>\$ 416,158</u>	<u>\$ (994)</u>	<u>2,235,728</u>
Central administration costs and directors' salaries							(593,135)
Other revenue							20,098
Other income and expense							58,516
Finance costs							(1,222)
Share of profits of associates for using the equity method							<u>21,507</u>
Profit before tax (continuing operations)							<u>\$ 1,741,492</u>
<u>For the three months ended March 31, 2017</u>							
Revenue from external customers	\$ 3,536,690	\$ 2,885,562	\$ 2,170,535	\$ 731,367	\$ 1,303,415	\$ (621,330)	\$ 10,006,239
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 3,536,690</u>	<u>\$ 2,885,562</u>	<u>\$ 2,170,535</u>	<u>\$ 731,367</u>	<u>\$ 1,303,415</u>	<u>\$ (621,330)</u>	<u>10,006,239</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenues	-	-	-	-	-	-	<u>10,006,239</u>
Segment income	<u>\$ 762,455</u>	<u>\$ 468,344</u>	<u>\$ 328,613</u>	<u>\$ (12,528)</u>	<u>\$ 172,973</u>	<u>\$ (13,524)</u>	<u>1,706,333</u>
Central administration costs and directors' salaries							(203,034)
Other revenue							27,597
Other income and expense							(28,651)
Finance costs							(2,717)
Share of profits of associates for using the equity method							<u>(609)</u>
Profit before tax (continuing operations)							<u>\$ 1,498,919</u>

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	Cermate Technologies (Shanghai) Inc.	Cermate Technologies (Shenzhen) Inc.	Prepayments of inventories	Yes	\$ 13,941 (RMB 3,000 thousand)	\$ 13,941 (RMB 3,000 thousand)	\$ -	-	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 2,923,433 (Note C)	\$ 5,846,866 (Note C)
2	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	(CZK 17,184 12,000 thousand)	(CZK 16,956 12,000 thousand)	(CZK 16,956 12,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,923,433 (Note C)	5,846,866 (Note C)
3	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	(CZK 5,728 4,000 thousand)	(CZK 5,652 4,000 thousand)	(CZK 5,652 4,000 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,923,433 (Note C)	5,846,866 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of March 31, 2018 were RMB1=NT\$4.647 and CZK1=NT\$1.413.

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	\$ 2,923,433	\$ 875,850 (US\$ 30,000 thousand)	\$ 873,150 (US\$ 30,000 thousand)	\$ -	\$ -	2.99	\$ 8,770,299	Y	N	N
		B+B	Subsidiary	2,923,433	291,950 (US\$ 9,950 thousand)	289,595 (US\$ 9,950 thousand)	-	-	0.99	8,770,299	Y	N	N
		B+B (CZ)	Subsidiary	2,923,433	1,455 (US\$ 50 thousand)	1,455 (US\$ 50 thousand)	-	-	-	8,770,299	Y	N	N
		AKST	Subsidiary	2,923,433	116,420 (US\$ 4,000 thousand)	116,420 (US\$ 4,000 thousand)	-	-	0.40	8,770,299	Y	N	N
		AVN (Note E)	Transactional	2,923,433	29,105 (US\$ 1,000 thousand)	29,105 (US\$ 1,000 thousand)	-	-	0.10	8,770,299	Y	N	N
		AKMC	Subsidiary	2,923,433	175,170 (US\$ 6,000 thousand)	174,630 (US\$ 6,000 thousand)	-	-	0.60	8,770,299	Y	N	Y
		Advanixs Corp.	Subsidiary	2,923,433	46,712 (US\$ 1,600 thousand)	46,568 (US\$ 1,600 thousand)	-	-	0.16	8,770,299	Y	N	N
		Cermate	Subsidiary	2,923,433	29,195 (US\$ 1,000 thousand)	29,105 (US\$ 1,000 thousand)	-	-	0.10	8,770,299	Y	N	N
		AiST	Subsidiary	2,923,433	4,379 (US\$ 150 thousand)	4,366 (US\$ 150 thousand)	-	-	0.01	8,770,299	Y	N	N
		AdvanPOS	Subsidiary	2,923,433	29,195 (US\$ 1,000 thousand)	29,105 (US\$ 1,000 thousand)	-	-	0.10	8,770,299	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		A-DLoG	Subsidiary	\$ 2,923,433	\$ 36,240 (EUR 1,000 thousand)	\$ 35,870 (EUR 1,000 thousand)	\$ -	\$ -	0.12	\$ 8,770,299	Y	N	N
		ABR	Subsidiary	2,923,433	43,793 (US\$ 1,500 thousand)	43,658 (US\$ 1,500 thousand)	-	-	0.15	8,770,299	Y	N	N
		AAU	Subsidiary	2,923,433	5,839 (US\$ 200 thousand)	5,821 (US\$ 200 thousand)	-	-	0.02	8,770,299	Y	N	N
		AKR	Subsidiary	2,923,433	1,460 (US\$ 50 thousand)	1,455 (US\$ 50 thousand)	-	-	-	8,770,299	Y	N	N
		Shenzhen Cermate Technologies Inc.	Subsidiary	2,923,433	16,057 (US\$ 550 thousand)	16,008 (US\$ 550 thousand)	-	-	0.05	8,770,299	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 March 31, 2018 were US\$1= NT\$29.105 and EUR1= NT\$35.87.

Note D: The latest net equity is from the financial statements for the three months ended March 31, 2018.

Note E: There are transactions between AVN and the Company.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

Holding Company Name	Type and Name of Marketable Securities (Note E)	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u> ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	\$ 1,308,091	0.64	\$ 1,308,091	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	154,800	2.41	154,800	Note A
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	70,573,443	880,771	-	880,771	Note B
	Capital Money Market	-	Same as above	18,071,849	290,178	-	290,178	Note B
	FSITC Money Market	-	Same as above	4,170,340	740,482	-	740,482	Note B
Advantech Corporate Investment	<u>Share</u> Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	322,629	5.03	322,629	Note A
	Phison Electronics Corporation	-	Financial assets at fair value through profit or loss - current	750,000	231,375	0.38	231,375	Note A
	Contec	-	Same as above	15,500	7,865	0.23	7,865	Note A
	BroadTec System Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	182,700	3,767	8.00	3,767	Note C
	BiosenseTek Corp.	-	Same as above	37,500	173	2.00	173	Note C
	Juguar Technology	-	Same as above	500,000	7,560	17.00	7,560	Note C
	Taiwan DSC PV Ltd.,	-	Same as above	160,000	527	3.20	527	Note C
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	49,657,452	619,735	-	619,735	Note B
	FSITC Money Market	-	Same as above	813,863	144,509	-	144,509	Note B
	Advanixs Corporate	<u>Fund</u> Jih Sun Money Market	-	Same as above	43,401,706	639,893	-	639,893
Mega Diamond Money Market		-	Same as above	9,883,277	123,345	-	123,345	Note B
AiST	<u>Fund</u> Jih Sun Money Market	-	Same as above	6,396,388	94,305	-	94,305	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note E)	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	6,655,306	\$ 83,060	-	\$ 83,060	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	644,165	10,343	-	10,343	Note B
Cermate	<u>Fund</u> Mega Diamond Money Market	-	Same as above	2,127,134	26,547	-	26,547	Note B
AiSC	<u>Fund</u> Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	-	69,705	7.94	69,704	Note C
	<u>Share</u> Jama Pro Co., Ltd.	-	Same as above	583,300	3,295	10.00	3,295	Note C

Note A: Market value was based on the closing price on March 31, 2018

Note B: Market value was based on the net asset values of the open-ended mutual funds on March 31, 2018.

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

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE THREE MONTHS ENDED MARCH 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	28,879,553	\$ 360,000	41,693,889	\$ 520,000	-	\$ -	\$ -	\$ -	70,573,442	\$ 880,000
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	1,578,638	280,000	3,267,929	580,000	676,228	120,000	119,945	55	4,170,340	740,055
	<u>Share</u> AzureWave Technologies, Inc.	Investments accounted for using the equity method	-	Associate	5,492,000	90,439	21,689,000	366,662	-	-	-	-	27,181,000	457,101
Advantech Corporate Investment	<u>Fund</u> FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	2,926,124	519,001	-	-	2,112,260	375,000	374,647	353	813,864	144,354

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details (Note C)				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AEU	Subsidiary	Sale	\$ (1,252,264)	14.98	30 days after month-end	Contract price	No significant difference in terms for related parties	\$ 1,506,095	19.92	Note A
	AJP	Subsidiary	Sale	(166,949)	2.00	60-90 days	Contract price	No significant difference in terms for related parties	72,708	0.96	
	ACN	Subsidiary	Sale	(1,600,263)	19.14	45 days after month-end	Contract price	No significant difference in terms for related parties	1,193,430	15.79	
	AKR	Subsidiary	Sale	(231,819)	2.77	60 days after invoice date	Contract price	No significant difference in terms for related parties	78,717	1.04	
	ANA	Subsidiary	Sale	(2,229,586)	26.67	45 days after month-end	Contract price	No significant difference in terms for related parties	2,059,259	27.24	
	Advanixs Corp.	Subsidiary	Sale	(211,093)	2.52	60-90 days	Contract price	No significant difference in terms for related parties	148,758	1.97	
	A-DLoG	Subsidiary	Sale	(193,421)	2.31	30 days after invoice date	Contract price	No significant difference in terms for related parties	198,722	2.63	
	AKMC	Subsidiary	Purchase	2,797,042	47.76	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,561,765)	28.92	
AKMC	The Company	Parent company	Sale	(2,797,042)	94.82	Usual trade terms	Contract price	No significant difference in terms for related parties	1,561,765	95.70	
AEU	The Company	Parent company	Purchase	1,252,264	72.60	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,506,095)	82.96	
AJP	The Company	Parent company	Purchase	166,949	94.36	60-90 days	Contract price	No significant difference in terms for related parties	(72,708)	22.53	
ACN	The Company	Parent company	Purchase	1,600,263	75.46	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,193,430)	56.94	
AKR	The Company	Parent company	Purchase	231,819	64.94	60 days after invoice date	Contract price	No significant difference in terms for related parties	(78,717)	52.73	
ANA	The Company	Parent company	Purchase	2,229,586	92.57	45 days after month-end	Contract price	No significant difference in terms for related parties	(2,059,259)	100.00	
Advanixs Corp.	The Company	Parent company	Purchase	211,093	97.91	60-90 days	Contract price	No significant difference in terms for related parties	(148,758)	93.65	
A-DLoG	The Company	Parent company	Purchase	193,421	80.56	30 days after invoice date	Contract price	No significant difference in terms for related parties	(198,722)	100.00	
AKMC	ACN	Related enterprise	Sale	(107,288)	3.64	Usual trade terms	Contract price	No significant difference in terms for related parties	59,862	3.67	
ACN	AKMC	Related enterprise	Purchase	107,288	5.06	Usual trade terms	Contract price	No significant difference in terms for related parties	(59,862)	4.03	

Note A: Unrealized gain for the period was \$49,326 thousand.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ANA	Subsidiary	\$ 2,064,238	4.87	\$ -	-	\$ 608,423	\$ -
	AEU	Subsidiary	1,508,804	3.49	-	-	239,367	-
	ACN	Subsidiary	1,193,430	5.93	-	-	422,877	-
	AKMC	Subsidiary	528,967	0.01	-	-	243,280	-
	A-DLoG	Subsidiary	199,485	5.87	-	-	6,521	-
	Advanixs Corp.	Subsidiary	151,915	5.78	-	-	51,863	-
LNC	Advantech LNC Dong Guan	Subsidiary	214,162	1.34	-	-	27,371	-
AKMC	The Company	Parent company	1,561,765	7.61	-	-	325,318	-

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note	
				March 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value				
The Company	AAC (BVI)	BVI	Investment and management service	\$ 1,000,207	\$ 1,000,207	29,623,834	100.00	\$ 4,200,847	\$ 58,994	\$ 58,856	Subsidiary	
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,644,542	82,539	79,698	Subsidiary	
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	865,581	10,406	9,533	Subsidiary	
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	2,113,480	87,819	87,770	Subsidiary	
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.85	644,887	82,961	21,445	Equity-meth investee	
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	460,572	1,000,000	100.00	356,672	(984)	(1,064)	Subsidiary	
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	428,244	431,634	24,350,000	80.06	495,503	9,333	5,700	Subsidiary	
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	10,380	(323)	(66)	Equity-meth investee	
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	454	857	857	Subsidiary	
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	859,407	(26,938)	(27,267)	Subsidiary	
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	90,169	2,093	2,093	Subsidiary	
	ATH	Thailand	Production of computers	47,701	-	51,000	51.00	47,701	1,473	-	Subsidiary	
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	43,871	(1,410)	(1,410)	Subsidiary	
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	274,777	(1,987)	(1,987)	Subsidiary	
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	79,940	9,575	9,575	Subsidiary	
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	248,315	27,011	27,011	Subsidiary	
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	63,557	80	64	Subsidiary	
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,433	11	11	Subsidiary	
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	157,915	157,915	10,000,000	100.00	172,729	925	925	Subsidiary	
	BEMC	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	6	60.00	1,866,458	28,306	16,215	Subsidiary	
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	17,170	5,763	5,763	Subsidiary	
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	135,000	135,000	13,500,000	45.00	80,552	(7,973)	(3,588)	Equity-meth investee	
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	33,035	36.00	-	(3,936)	-	Subsidiary	
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	549,795	22,087	5,274	Equity-meth investee	
	AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24.00	-	(3,936)	-	Subsidiary
	Advantech Corporate Investment	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	126,013	6,069	3,289	Subsidiary
		Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	14,804	(1,643)	(652)	Equity-meth investee
CDIB Innovation Accelerator Co., Ltd.		Taipei, Taiwan	Investment holding company	75,000	75,000	7,500,000	17.86	70,554	(5,072)	(906)	Equity-meth investee	
AzureWave Technologies, Inc.		Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	532,078	-	27,181,000	18.00	532,078	34,111	-	Equity-meth investee	
Huan Yan, Jhih-Lian Co., Ltd.		Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	5,000	-	500,000	50.00	4,966	(67)	(34)	Subsidiary	
Yun Yan, Wu-Lian Co., Ltd.		Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	-	500,000	50.00	4,972	(57)	(28)	Subsidiary	
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	3,659,773	98,623	95,783	Subsidiary	
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,449,057	68,319	69,024	Subsidiary	
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,038,442	(9,325)	(10,168)	Subsidiary	
ANA	BEMC	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	4	40.00	1,257,023	28,306	11,322	Subsidiary	
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	931,026	(28,025)	(28,354)	Subsidiary	
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	29,094	1,190	1,190	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				March 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	\$ 553,536	\$ 553,536	1	100.00	\$ 496,079	\$ 18,014	\$ 17,686	Subsidiary
ASG	ATH AID	Thailand Indonesia	Production of computers	7,537	7,537	49,000	49.00	47,521	1,473	754	Subsidiary
			Sale of industrial automation products	4,797	4,797	300,000	100.00	5,586	592	592	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	102,066	5,431	5,089	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	8,556,096	100.00	42,073	(4,802)	(4,826)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	38,222	(4,842)	(4,842)	Subsidiary
BEMC	Avtek	Delaware, USA	Sale of industrial network communications systems	US\$ 99,850	US\$ 99,850	-	100.00	3,123,481	28,306	27,537	Subsidiary
Avtek	B+B	Delaware, USA	Sale of industrial network communications systems	US\$ 99,850	US\$ 99,850	384,111	100.00	3,123,481	28,306	27,537	Subsidiary
B+B	BBI	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	95,833	(2,351)	(2,351)	Subsidiary
	Quatech	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBI	B&B Electronics	Delaware, USA	Sale of industrial network communications systems	US\$ 1,314	US\$ 1,314	-	100.00	-	-	-	Subsidiary
	B+B (CZ)	Czech Republic	Manufacturing automation	-	-	-	99.99	247,119	10,641	10,641	Subsidiary
	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	15	(5,617)	(56)	Subsidiary
	B&B DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
B&B Electronics	B+B (CZ)	Czech Republic	Manufacturing automation	-	-	-	0.01	-	-	-	Subsidiary
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	1,477	(5,617)	(5,561)	Subsidiary

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

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

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

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note F)	Indirect	\$ 1,085,617 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,085,617 (US\$ 37,300 thousand)	\$ 101,159	100	\$ 98,318	\$ 3,152,225	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	155,188 (US\$ 5,332 thousand)	-	-	155,188 (US\$ 5,332 thousand)	(110)	100	(769)	1,119,388	326,907 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	232,840 (US\$ 8,000 thousand)	-	-	232,840 (US\$ 8,000 thousand)	(13,009)	100	(13,194)	693,987	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	(212)	100	(212)	30,830	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	-	100	(323)	1	-
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	RMB 99,515 thousand	Indirect	(Note G)	-	-	(Note G)	-	100	(2,535)	507,548	-
Advantech LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	92,961 (US\$ 3,194 thousand)	-	-	92,961 (US\$ 3,194 thousand)	(4,842)	100	(4,818)	38,372	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	8,964 (US\$ 308 thousand)	-	-	8,964 (US\$ 308 thousand)	5,337	90	4,803	72,933	28,968 (US\$ 717 thousand) (RMB 1,743 thousand)

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
Cermate Technologies (Shanghai) Inc.	sale of Human Machine Interface	RMB 520 thousand	Indirect	\$ 16,648 (US\$ 572 thousand)	\$ -	\$ -	\$ 16,648 (US\$ 572 thousand)	\$ 628	100	\$ 628	\$ 29,353	\$ -

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,598,039 (US\$54,906 thousand) (Note E)	\$2,683,248 (US\$92,192 thousand)	\$17,646,609 (Note H)

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

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

Note C: Remittance by ACN.

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

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

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

Note G: The exchange rate was US\$1=NT\$29.105 and RMB1=NT\$4.467.

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

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

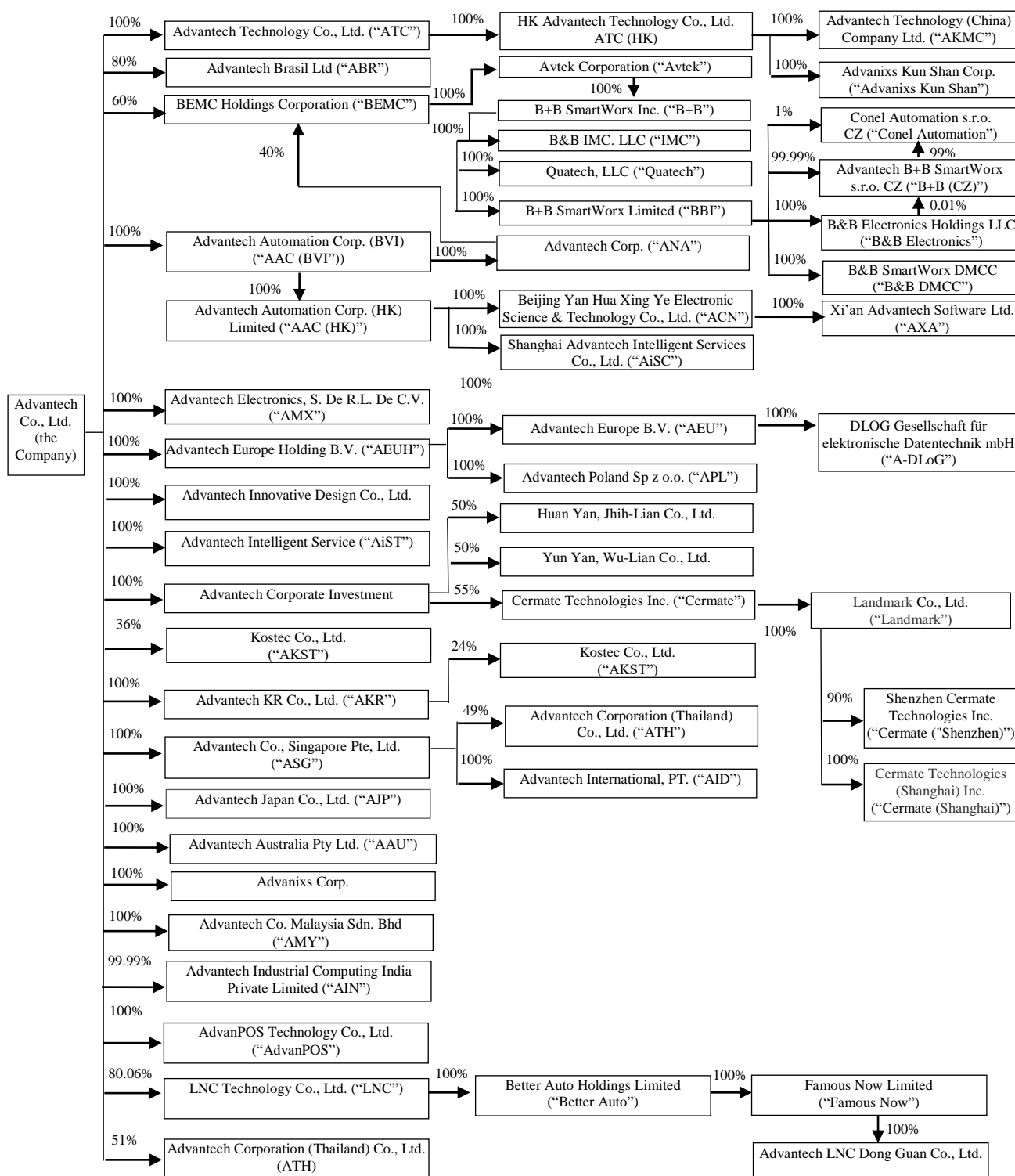
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TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

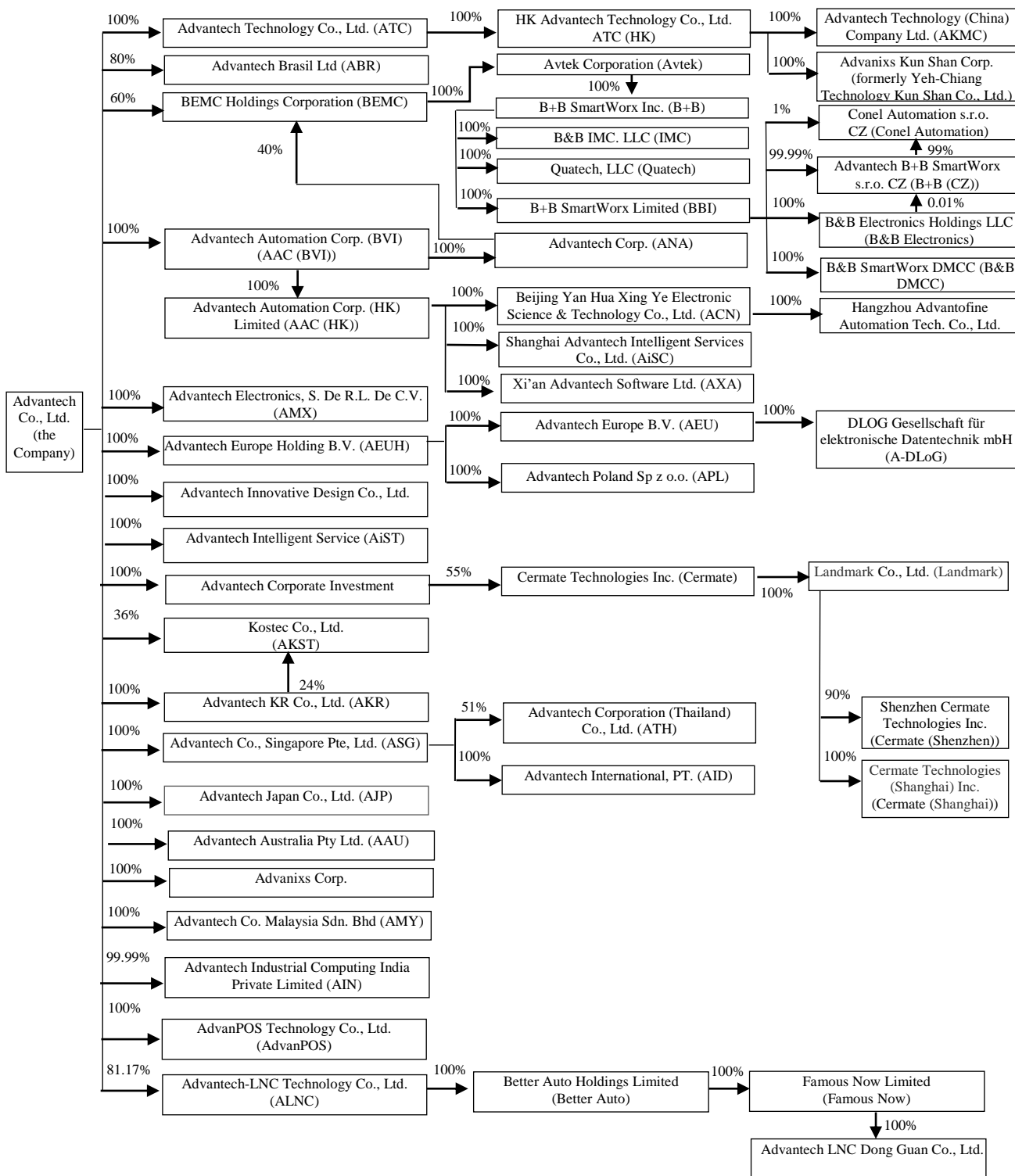
**ORGANIZATION CHART
MARCH 31, 2018 AND 2017**

Intercompany relationships and percentages of ownership as of March 31, 2018 are shown below:



(Continued)

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



(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Advantech Co., Ltd.	AAC (HK)	1	Other receivables from related parties	\$ 23	45 days EOM	-
		AAU	1	Sales revenue	56,694	Normal	-
		AAU	1	Receivables from related parties	33,421	60-90 days	-
		AAU	1	Other receivables from related parties	435	60-90 days	-
		ABR	1	Sales revenue	24,361	Normal	-
		ABR	1	Receivables from related parties	18,385	90 days EOM	-
		ABR	1	Other receivables from related parties	1,338	90 days EOM	-
		ACN	1	Receivables from related parties	1,193,430	45 days EOM	3
		ACN	1	Sales revenue	1,600,263	Normal	14
		A-DLoG	1	Sales revenue	193,421	Normal	2
		A-DLoG	1	Receivables from related parties	198,722	30 days after invoice date	-
		A-DLoG	1	Other receivables from related parties	763	30 days after invoice date	-
		AEU	1	Sales revenue	1,252,264	Normal	11
		AEU	1	Receivables from related parties	1,506,095	30 days EOM	4
		AEU	1	Other receivables from related parties	2,709	30 days EOM	-
		AID	1	Sales revenue	5,994	Normal	-
		AID	1	Receivables from related parties	4,109	45 days after invoice date	-
		AID	1	Other receivables from related parties	289	45 days after invoice date	-
		AIN	1	Sales revenue	17,562	Normal	-
		AIN	1	Receivables from related parties	14,795	60 days EOM	-
		AIN	1	Other receivables from related parties	63	60 days EOM	-
		AiSC	1	Sales revenue	24,514	Normal	-
		AiSC	1	Receivables from related parties	6,390	45 days EOM	-
		AJP	1	Sales revenue	166,949	Normal	1
		AJP	1	Receivables from related parties	72,708	60-90 days	-
		AJP	1	Other receivables from related parties	527	60-90 days	-
		AKMC	1	Receivables from related parties	528,923	45 days EOM	1
		AKMC	1	Sales revenue	1,494	Normal	-
		AKMC	1	Other receivables from related parties	44	45 days EOM	-
		AKR	1	Sales revenue	231,819	Normal	2
		AKR	1	Receivables from related parties	78,717	60 days after invoice date	-
		AKR	1	Other receivables from related parties	43,919	60 days after invoice date	-
		AKST	1	Receivables from related parties	16,076	30 days EOM	-
		AKST	1	Sales revenue	9,431	30 days EOM	-
		AKST	1	Other receivables from related parties	583	30 days EOM	-
		AMY	1	Sales revenue	39,244	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AMY	1	Receivables from related parties	\$ 25,487	45 days EOM	-
		AMY	1	Other receivables from related parties	367	45 days EOM	-
		ANA	1	Receivables from related parties	2,059,259	45 days EOM	5
		ANA	1	Other receivables from related parties	4,979	45 days EOM	-
		ANA	1	Sales revenue	2,229,586	Normal	5
		APL	1	Sales revenue	6,541	Normal	-
		APL	1	Receivables from related parties	4,294	45 days EOM	-
		ASG	1	Sales revenue	66,184	Normal	1
		ASG	1	Receivables from related parties	57,857	60-90 days	-
		ASG	1	Other receivables from related parties	579	60-90 days	-
		ATH	1	Sales revenue	14,558	Normal	-
		ATH	1	Receivables from related parties	6,380	30 days after invoice date	-
		ATH	1	Other receivables from related parties	163	30 days after invoice date	-
		B+B	1	Sales revenue	42,343	Normal	-
		B+B	1	Receivables from related parties	28,911	60 days EOM	-
		B+B	1	Other receivables from related parties	1,001	60 days EOM	-
		B+B (CZ)	1	Sales revenue	16	Normal	-
		Conel Automation	1	Receivables from related parties	19	45 days EOM	-
		Cermate Technologies Inc.	1	Receivables from related parties	1,386	30 days EOM	-
		Cermate Technologies Inc.	1	Sales revenue	1,320	Normal	-
		Cermate Technologies Inc.	1	Other receivables from related parties	105	30 days EOM	-
		Advantech Corporate Investment	1	Rental revenue	9	Normal	-
		Advansus Corp.	1	Sales revenue	211,093	Normal	2
		Advansus Corp.	1	Receivables from related parties	148,758	60-90 days	-
		Advansus Corp.	1	Rental revenue	750	Normal	-
		Advansus Corp.	1	Other receivables from related parties	3,157	60-90 days	-
		LNC	1	Receivables from related parties	1,381	60-90 days EOM	-
		LNC	1	Other receivables from related parties	439	60-90 days EOM	-
		LNC	1	Sales revenue	1,303	Normal	-
1	AAU	Advantech Co., Ltd.	2	Receivables from related parties	320	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	313	Normal	-
2	ABR	Advantech Co., Ltd.	2	Receivables from related parties	37	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other receivables from related parties	1,193	30 days after invoice date	-
3	ACN	AEU	3	Receivables from related parties	2,541	30 days EOM	-
		AEU	3	Sales revenue	4,775	Normal	-
		AiSC	3	Sales revenue	33,836	Normal	-
		AiSC	3	Receivables from related parties	15,576	Immediate payment	-
		AKMC	3	Sales revenue	6,734	Normal	-
		AKMC	3	Receivables from related parties	3,146	60-90 days	-
		AKR	3	Sales revenue	12	Normal	-
		ANA	3	Receivables from related parties	171	30 days EOM	-
		ANA	3	Sales revenue	160	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	468	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	1,457	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
4	A-DLoG	AAU	3	Sales revenue	\$ 270	Normal	-
		AEU	3	Receivables from related parties	321	30 days upon delivery	-
		AEU	3	Sales revenue	442	Normal	-
		AEU	3	Other receivables from related parties	771	30 days EOM	-
		AKMC	3	Sales revenue	361	Normal	-
		AKR	3	Sales revenue	449	Normal	-
		ANA	3	Receivables from related parties	503	30 days after invoice date	-
		ANA	3	Sales revenue	3,844	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	17,270	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	10,603	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other receivables from related parties	29,480	60 days EOM	-
5	AEU	AIN	3	Receivables from related parties	27	45 Days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	33,413	30 days after invoice date	-
		Advantech Co., Ltd.	2	Sales revenue	6,781	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,689	30 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	1,004	30 days EOM	-
6	AID	ASG	3	Receivables from related parties	555	Financing	-
		ASG	3	Other revenue	539	Normal	-
7	AiSC	AAC (HK)	3	Other receivables from related parties	4,663	90 days	-
		ACN	3	Other receivables from related parties	34,034	Immediate payment	-
		ACN	3	Sales revenue	4,227	Normal	-
		ACN	3	Rental revenue	1,510	Normal	-
		ACN	3	Receivables from related parties	331	Immediate payment	-
		AKMC	3	Sales revenue	17	Normal	-
		AKMC	3	Receivables from related parties	4	30 days EOM	-
8	AJP	ACN	3	Sales revenue	20	Normal	-
		ACN	3	Receivables from related parties	20	45 days EOM	-
		AKMC	3	Sales revenue	2,576	Normal	-
		AKMC	3	Receivables from related parties	2,615	45 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	4	Normal	-
9	AKMC	ACN	3	Sales revenue	107,288	Normal	1
		ACN	3	Receivables from related parties	59,862	60-90 days	-
		AEU	3	Sales revenue	1,292	Normal	-
		AEU	3	Receivables from related parties	854	30 days after invoice date	-
		AiSC	3	Sales revenue	5,468	Normal	-
		AiSC	3	Receivables from related parties	3,623	Immediate payment	-
		ANA	3	Sales revenue	497	Normal	-
		ANA	3	Receivables from related parties	314	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	2,797,042	Normal	25

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		Advantech Co., Ltd.	2	Receivables from related parties	\$ 1,561,765	60 days EOM	4
		Cermate Technologies Inc.	3	Receivables from related parties	382	60 days EOM	-
		Cermate Technologies Inc.	3	Sales revenue	382	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	575	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	4,001	Normal	-
		Advansus Corp.	3	Sales revenue	784	Normal	-
		Advansus Corp.	3	Receivables from related parties	696	Immediate payment	-
10	AKR	Advantech Co., Ltd.	2	Sales revenue	60	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	75	90 days EOM	-
11	AKST	AKMC	3	Sales revenue	492	Normal	-
		AKMC	3	Receivables from related parties	436	30 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,202	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	187	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	960	30 days EOM	-
12	ANA	AAU	3	Receivables from related parties	391	60 days after invoice date	-
		AAU	3	Sales revenue	45	Normal	-
		A-DLoG	3	Sales revenue	9	Normal	-
		A-DLoG	3	Receivables from related parties	9	60-90 days	-
		AEU	3	Receivables from related parties	2,355	60-90 days	-
		AEU	3	Sales revenue	4,097	Normal	-
		AKMC	3	Receivables from related parties	1,101	30 days EOM	-
		AKMC	3	Sales revenue	1,947	Normal	-
		AKR	3	Receivables from related parties	21	30 days EOM	-
		AKR	3	Sales revenue	393	Normal	-
		ASG	3	Sales revenue	21	Normal	-
		B+B (CZ)	3	Sales revenue	1,116	Normal	-
		B+B (CZ)	3	Receivables from related parties	1,116	30 days after invoice date	-
		BBE	3	Receivables from related parties	601	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	6,785	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	6,380	45 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	900	45 days EOM	-
13	APL	AEU	3	Receivables from related parties	2,134	30 days after invoice date	-
		AEU	3	Sales revenue	4,076	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	6	30 days after invoice date	-
14	ASG	AMY	3	Sales revenue	1,694	Normal	-
		AMY	3	Receivables from related parties	897	30 days EOM	-
		ATH	3	Sales revenue	396	Normal	-
		ATH	3	Other revenue	358	Normal	-
		ATH	3	Receivables from related parties	288	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	5	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5	60-90 days	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
15	ATC	Advantech Co., Ltd.	2	Receivables from related parties	\$ 10,608	60 days EOM	-
16	B+B	Advantech Co., Ltd.	2	Sales revenue	8,612	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,988	90 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	1,942	90 days EOM	-
17	B+B (CZ)	AEU	3	Sales revenue	51,060	Normal	-
		AEU	3	Receivables from related parties	31,207	45 days EOM	-
		AEU	3	Other revenue	1,926	Normal	-
		BBE	3	Sales revenue	8,469	Normal	-
		Conel Automation	3	Other revenue	346	45 days EOM	-
		Conel Automation	3	Other receivables from related parties	397	45 days EOM	-
		Conel Automation	3	Sales revenue	34	Normal	-
		Conel Automation	3	Receivables from related parties	41	45 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	24,990	Normal	-
18	BBE	AEU	3	Sales revenue	19,058	Normal	-
		AEU	3	Receivables from related parties	4,933	90 days EOM	-
		AKMC	3	Receivables from related parties	4	60 days after invoice date	-
		AKMC	3	Sales revenue	4	Normal	-
19	BBI	BBE	3	Sales revenue	14,757	Normal	-
20	Conel Automation	Advantech Co., Ltd.	2	Receivables from related parties	24,860	45 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	88	45 days EOM	-
21	Advantech LNC Dong Guan Co., Ltd.	LNC	3	Sales revenue	1,225	Normal	-
		LNC	3	Receivables from related parties	1,589	90 days EOM	-
22	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	168	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	145	60 days EOM	-
23	Cermate Technologies Inc.	Advantech Co., Ltd.	2	Sales revenue	817	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	605	30-60 days	-
		Advantech Co., Ltd.	2	Other receivables from related parties	1	30-60 days	-
		Cermate (Shenzhen)	3	Sales revenue	11,917	Normal	-
24	Cermate (Shenzhen)	ACN	3	Sales revenue	2	Normal	-
		AKMC	3	Sales revenue	14,961	Normal	-
		AKMC	3	Receivables from related parties	10,543	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	7,150	Normal	-
		Cermate Technologies Inc.	3	Sales revenue	7,504	Normal	-
		Cermate Technologies Inc.	3	Receivables from related parties	4,569	60 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
25	Advansus Corp.	AKMC	3	Sales revenue	\$ 343	Normal	-
		AKMC	3	Receivables from related parties	161	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	4,175	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,013	60-90 days	-
26	Advantech-LNC Technology Co., Ltd.	Advantech LNC Dong Gaun Co., Ltd.	3	Receivables from related parties	214,162	90 days EOM	1
		Advantech LNC Dong Gaun Co., Ltd.	3	Sales revenue	66,841	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,181	60 days EOM	-
		Advantech Co., Ltd.	2	Rental revenue	427	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	2,250	Normal	-

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

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

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

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of March 31, 2018, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2018.

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

(Concluded)