

# **Advantech Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2015 and 2014 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ADVANTECH CO., LTD.

By:

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K. C. LIU  
Chairman

March 4, 2016

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, as stated in Note 12 to the consolidated financial statements, we did not audit the consolidated financial statements as of and for the years ended December 31, 2015 and 2014 of some subsidiaries. The consolidated financial statements of these subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the subsidiaries' amounts included herein, is based solely on the reports of other auditors. The total assets of these subsidiaries were 4.17% (NT\$1,418,592 thousand) and 4.77% (NT\$1,505,128 thousand) of the consolidated assets as of December 31, 2015 and 2014, respectively. The operating revenues of these subsidiaries were 7.76% (NT\$2,947,500 thousand) and 8.67% (NT\$3,099,173 thousand) of the consolidated operating revenues for 2015 and 2014, respectively. Also, as stated in Note 13 to the consolidated financial statements, we did not audit the financial statements as of and for the years ended December 31, 2015 and 2014 of some companies in which the Company had investments accounted for using the equity method. The consolidated financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the investees' amounts included herein, is based solely on the reports of the other auditors. Investments accounted for using the equity method were 1.41% (NT\$477,984 thousand) and 1.42% (NT\$447,663 thousand) of the consolidated assets as of and for the years ended December 31, 2015 and 2014. Also, the equity in the investees' net gains was 1.75% (NT\$110,226 thousand) and 1.66% (NT\$100,264 thousand) of the consolidated pretax profits in 2015 and 2014, respectively.

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and the results of its financial performance and its consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China.

We have also audited the financial statements of the parent company, Advantech Co., Ltd., as of and for the years ended December 31, 2015 and 2014 and have expressed a modified unqualified opinion on those financial statements.

March 4, 2016

#### Notice to Readers

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

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

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014 (Restated)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,358,259	13	\$ 3,122,007	10
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 28)	176,389	1	165,402	-
Available-for-sale financial assets - current (Notes 4, 8 and 28)	1,755,843	5	3,431,359	11
Debt investments with no active market - current (Notes 4 and 9)	3,171	-	5,487	-
Notes receivable (Notes 4, 5, 10 and 29)	970,722	3	949,861	3
Accounts receivable (Notes 4, 5 and 10)	5,428,574	16	4,960,373	16
Accounts receivable from related parties (Note 29)	26,775	-	5,400	-
Other receivables	40,811	-	36,550	-
Inventories (Notes 4, 5 and 11)	4,868,860	14	4,781,550	15
Other current financial assets (Note 30)	-	-	18,650	-
Other current assets (Note 16)	<u>456,342</u>	<u>1</u>	<u>513,393</u>	<u>2</u>
Total current assets	<u>18,085,746</u>	<u>53</u>	<u>17,990,032</u>	<u>57</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 28)	1,747,598	5	2,428,569	8
Investments accounted for using the equity method (Notes 4 and 13)	477,984	2	447,663	1
Property, plant and equipment (Notes 4 and 14)	9,576,879	28	8,876,606	28
Goodwill (Notes 4, 5 and 15)	1,139,559	3	1,168,727	4
Other intangible assets	227,686	1	286,312	1
Deferred tax assets (Notes 4 and 22)	217,989	1	161,268	1
Prepayments for business facilities	65,753	-	45,511	-
Prepayments for investments (Note 32)	2,279,881	7	-	-
Long-term prepayments for lease (Note 16)	100,875	-	96,516	-
Other noncurrent assets (Note 26)	<u>59,183</u>	<u>-</u>	<u>42,616</u>	<u>-</u>
Total noncurrent assets	<u>15,893,387</u>	<u>47</u>	<u>13,553,788</u>	<u>43</u>
TOTAL	<u>\$ 33,979,133</u>	<u>100</u>	<u>\$ 31,543,820</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 28)	\$ 880,625	3	\$ 3,080	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 28)	6,352	-	8,698	-
Trade payables (Note 29)	3,226,069	9	3,166,195	10
Other payables (Notes 18 and 21)	3,380,317	10	3,174,189	10
Current tax liabilities (Notes 4 and 22)	1,057,226	3	787,404	3
Short-term warranty provision (Note 4)	145,646	-	141,354	-
Other current liabilities	<u>546,295</u>	<u>2</u>	<u>498,900</u>	<u>2</u>
Total current liabilities	<u>9,242,530</u>	<u>27</u>	<u>7,779,820</u>	<u>25</u>
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	938,491	3	897,940	3
Long-term accounts payable	-	-	43,028	-
Net defined benefit liabilities (Notes 4, 5 and 19)	183,540	1	165,428	1
Other noncurrent liabilities	<u>160,795</u>	<u>-</u>	<u>124,585</u>	<u>-</u>
Total noncurrent liabilities	<u>1,282,826</u>	<u>4</u>	<u>1,230,981</u>	<u>4</u>
Total liabilities	<u>10,525,356</u>	<u>31</u>	<u>9,010,801</u>	<u>29</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	6,318,531	19	6,301,031	20
Advance receipts for share capital	-	-	11,060	-
Total share capital	<u>6,318,531</u>	<u>19</u>	<u>6,312,091</u>	<u>20</u>
Capital surplus	<u>5,587,555</u>	<u>16</u>	<u>5,306,958</u>	<u>17</u>
Retained earnings				
Legal reserve	3,962,842	12	3,472,064	11
Unappropriated earnings	<u>7,098,449</u>	<u>21</u>	<u>6,353,273</u>	<u>20</u>
Total retained earnings	<u>11,061,291</u>	<u>33</u>	<u>9,825,337</u>	<u>31</u>
Other equity				
Exchange differences on translation of foreign financial statements	271,859	1	338,356	1
Unrealized gains on available-for-sale financial assets	<u>68,265</u>	<u>-</u>	<u>563,277</u>	<u>2</u>
Total other equity	<u>340,124</u>	<u>1</u>	<u>901,633</u>	<u>3</u>
Total equity attributable to owners of the Company	23,307,501	69	22,346,019	71
NON-CONTROLLING INTERESTS	<u>146,276</u>	<u>-</u>	<u>187,000</u>	<u>-</u>
Total equity	<u>23,453,777</u>	<u>69</u>	<u>22,533,019</u>	<u>71</u>
TOTAL	<u>\$ 33,979,133</u>	<u>100</u>	<u>\$ 31,543,820</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 4, 2016)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Note 29)				
Sales	\$ 36,978,961	97	\$ 34,662,269	97
Other operating revenue	<u>1,021,621</u>	<u>3</u>	<u>1,069,430</u>	<u>3</u>
Total operating revenue	38,000,582	100	35,731,699	100
OPERATING COSTS (Notes 11, 21 and 29)	<u>22,655,592</u>	<u>59</u>	<u>21,339,035</u>	<u>60</u>
GROSS PROFIT	<u>15,344,990</u>	<u>41</u>	<u>14,392,664</u>	<u>40</u>
OPERATING EXPENSES (Notes 21 and 29)				
Selling and marketing expenses	3,889,856	10	3,533,354	10
General and administrative expenses	1,982,879	5	2,115,760	6
Research and development expenses	<u>3,543,748</u>	<u>10</u>	<u>3,235,226</u>	<u>9</u>
Total operating expenses	<u>9,416,483</u>	<u>25</u>	<u>8,884,340</u>	<u>25</u>
OPERATING PROFIT	<u>5,928,507</u>	<u>16</u>	<u>5,508,324</u>	<u>15</u>
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Notes 4 and 13)	110,226	-	100,264	1
Interest income	40,613	-	54,355	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	(5,410)	-	56,473	-
Gains on disposal of investments (Note 4)	202,458	1	27,143	-
Foreign exchange gains (losses), net (Notes 4, 21 and 33)	(186,889)	-	78,206	-
Gains on financial instruments at fair value through profit or loss (Note 4)	83,798	-	85,664	-
Dividend income	139,725	-	130,737	1
Other income (Note 8)	121,329	-	91,185	-
Finance costs (Note 21)	(10,041)	-	(14,420)	-
Losses on financial instruments at fair value through profit or loss (Note 4)	(130,409)	-	(49,171)	-
Other losses	<u>(4,372)</u>	<u>-</u>	<u>(13,815)</u>	<u>-</u>
Total nonoperating income	<u>361,028</u>	<u>1</u>	<u>546,621</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	6,289,535	17	6,054,945	17
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,162,560</u>	<u>3</u>	<u>1,123,069</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>5,126,975</u>	<u>14</u>	<u>4,931,876</u>	<u>14</u>

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2015</b>		<b>2014 (Restated)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 3, 19 and 20)	\$ (19,303)	-	\$ (5,562)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 13)	(2,424)	-	199	-
Income tax relating to items that will not be reclassified (Notes 3 and 22)	3,281	-	945	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 20)	(101,490)	-	243,904	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 20)	(495,012)	(2)	638,811	2
Share of the other comprehensive income of associates (Notes 4, 13 and 20)	2,449	-	4,512	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20 and 22)	<u>13,620</u>	<u>-</u>	<u>(42,667)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(598,879)</u>	<u>(2)</u>	<u>840,142</u>	<u>2</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 4,528,096</u>	<u>12</u>	<u>\$ 5,772,018</u>	<u>16</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 5,104,346	13	\$ 4,907,648	14
Non-controlling interests	<u>22,629</u>	<u>-</u>	<u>24,228</u>	<u>-</u>
	<u>\$ 5,126,975</u>	<u>13</u>	<u>\$ 4,931,876</u>	<u>14</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 4,524,603	12	\$ 5,750,571	16
Non-controlling interests	<u>3,493</u>	<u>-</u>	<u>21,447</u>	<u>-</u>
	<u>\$ 4,528,096</u>	<u>12</u>	<u>\$ 5,772,018</u>	<u>16</u>

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## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	<u>2015</u>		<u>2014 (Restated)</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	<u>\$ 8.08</u>		<u>\$ 7.80</u>	
Diluted	<u>\$ 8.05</u>		<u>\$ 7.77</u>	

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

(With Deloitte & Touche audit report dated March 4, 2016)

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Issued Capital (Notes 20 and 24)				Retained Earnings (Notes 20 and 25)			Other Equity (Note 20)				
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 20, 24 and 25)	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests (Notes 20 and 25)	Total Equity
BALANCE AT JANUARY 1, 2014	\$ 5,669,249	\$ 24,751	\$ 5,694,000	\$ 4,995,635	\$ 3,061,424	\$ 5,452,733	\$ 8,514,157	\$ 130,041	\$ (75,534)	\$ 19,258,299	\$ 161,891	\$ 19,420,190
Effect of respective application and respective restatement	-	-	-	-	-	(5,045)	(5,045)	-	-	(5,045)	-	(5,045)
BALANCE AT JANUARY 1, 2014 AS RESTATED	5,669,249	24,751	5,694,000	4,995,635	3,061,424	5,447,688	8,509,112	130,041	(75,534)	19,253,254	161,891	19,415,145
Appropriation of the 2013 earnings												
Legal reserve	-	-	-	-	410,640	(410,640)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(3,017,820)	(3,017,820)	-	-	(3,017,820)	-	(3,017,820)
Stock dividends on ordinary shares	569,400	-	569,400	-	-	(569,400)	(569,400)	-	-	-	-	-
Recognition of employee share options by the Company	51,410	(4,850)	46,560	167,525	-	-	-	-	-	214,085	-	214,085
Compensation cost recognized for employee share options	-	-	-	111,393	-	-	-	-	-	111,393	-	111,393
Change in capital surplus from investments in associates accounted for using equity method	-	-	-	8,966	-	-	-	-	-	8,966	-	8,966
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	11,457	-	-	-	-	-	11,457	3,662	15,119
Changes in percentage of ownership interest in subsidiaries	-	-	-	(1,873)	-	-	-	-	-	(1,873)	-	(1,873)
Convertible bonds converted to ordinary shares	10,972	(8,841)	2,131	13,855	-	-	-	-	-	15,986	-	15,986
Net profit for the year ended December 31, 2014	-	-	-	-	-	4,907,648	4,907,648	-	-	4,907,648	24,228	4,931,876
Other comprehensive income for year ended December 31, 2014, net of income tax	-	-	-	-	-	(4,203)	(4,203)	208,315	638,811	842,923	(2,781)	840,142
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	4,903,445	4,903,445	208,315	638,811	5,750,571	21,447	5,772,018
BALANCE AT DECEMBER 31, 2014 AS RESTATED	6,301,031	11,060	6,312,091	5,306,958	3,472,064	6,353,273	9,825,337	338,356	563,277	22,346,019	187,000	22,533,019
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	-	490,778	(490,778)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(3,787,255)	(3,787,255)	-	-	(3,787,255)	-	(3,787,255)
Recognition of employee share options by the Company	17,500	(11,060)	6,440	24,438	-	-	-	-	-	30,878	-	30,878
Compensation cost recognized for employee share options	-	-	-	261,877	-	-	-	-	-	261,877	-	261,877
Change in capital surplus from investments in associates accounted for using equity method	-	-	-	2,172	-	-	-	-	-	2,172	-	2,172
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	(11,457)	-	(62,903)	(62,903)	-	-	(74,360)	(44,217)	(118,577)
Changes in percentage of ownership interest in subsidiaries	-	-	-	3,567	-	-	-	-	-	3,567	-	3,567
Net profit for the year ended December 31, 2015	-	-	-	-	-	5,104,346	5,104,346	-	-	5,104,346	22,629	5,126,975
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(18,234)	(18,234)	(66,497)	(495,012)	(579,743)	(19,136)	(598,879)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	5,086,112	5,086,112	(66,497)	(495,012)	4,524,603	3,493	4,528,096
BALANCE AT DECEMBER 31, 2015	\$ 6,318,531	\$ -	\$ 6,318,531	\$ 5,587,555	\$ 3,962,842	\$ 7,098,449	\$ 11,061,291	\$ 271,859	\$ 68,265	\$ 23,307,501	\$ 146,276	\$ 23,453,777

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

(With Deloitte & Touche audit report dated March 4, 2016)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 6,289,535	\$ 6,054,945
Adjustments for:		
Depreciation expenses	568,241	504,211
Amortization expenses	97,953	90,709
Amortization expenses for prepayments of lease obligation	2,577	2,519
Impairment loss recognized on trade receivables	23,360	9,991
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	46,611	(36,493)
Compensation cost of employee share options	261,877	111,393
Finance costs	10,041	14,420
Interest income	(40,613)	(54,355)
Dividend income	(139,725)	(130,737)
Share of profit of associates	(110,226)	(100,264)
Loss (gain) on disposal of property, plant and equipment	5,410	(56,473)
Gain on disposal of investments	(202,458)	(27,143)
Loss on bond redemption	-	17
Changes in operating assets and liabilities		
Financial assets held for trading	(59,944)	(141,210)
Notes receivable	(20,861)	(200,332)
Accounts receivable	(495,148)	(366,727)
Account receivables from related parties	(21,375)	1,179
Other receivables	(1,724)	(383)
Inventories	(87,310)	(750,893)
Other current assets	57,051	(141,365)
Other financial assets	18,650	90,660
Trade payables	59,874	393,344
Net defined benefit liabilities	(1,191)	(1,785)
Other payables	151,859	243,045
Other current liabilities	47,395	(40,587)
Other noncurrent liabilities	36,812	95,481
Cash generated from operations	6,496,671	5,563,167
Interest received	38,076	31,578
Dividend received	221,642	130,737
Interest paid	(1,467)	(5,233)
Income tax paid	(850,763)	(809,008)
Net cash generated from operating activities	5,904,159	4,911,241
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(9,713,717)	(5,847,515)
Proceeds on sale of available-for-sale financial assets	11,766,699	5,213,858
Acquisition of investments with no active market	1,805	(643)
Acquisition of investments accounted for using the equity method	-	(18,095)

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
Proceeds from disposal of investments accounted for using equity method	\$ -	\$ 1,407
Increase in prepayments for investments	(2,279,881)	-
Net cash flow on the acquisition of subsidiaries	-	(31,033)
Dividends received from associates	-	54,774
Acquisition of property, plant and equipment	(1,333,481)	(1,213,769)
Proceeds from disposal of property, plant and equipment	22,867	151,867
Decrease (increase) in refundable deposits	(16,567)	17,265
Acquisition of intangible assets	(73,145)	(48,841)
Increase in prepayments for business facilities	(18,015)	(20,212)
Decrease in long-term accounts payables	<u>-</u>	<u>(6,709)</u>
Net cash generated from investing activities	<u>(1,643,435)</u>	<u>(1,747,646)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	877,545	(120,064)
Repayments of bonds	-	(2,400)
Increase (decrease) in guarantee deposits received	(602)	1,515
Payment of cash dividends	(3,787,255)	(3,017,820)
Exercise of employee share options	30,878	214,085
Increase (decrease) in non-controlling interests	<u>(118,577)</u>	<u>15,119</u>
Net cash used in financing activities	<u>(2,998,011)</u>	<u>(2,909,565)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(26,461)</u>	<u>35,619</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,236,252	289,649
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,122,007</u>	<u>2,832,358</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><u>\$ 4,358,259</u></u>	<u><u>\$ 3,122,007</u></u>

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

(With Deloitte & Touche audit report dated March 4, 2016)

(Concluded)

# **ADVANTECH CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

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

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

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

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

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors on March 4, 2016.

### **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 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, applied the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Group’s accounting policies:

- 1) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, associates and unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive, please refer to Notes 12 and 13 for related disclosures.

2) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

3) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 28 for the related disclosures.

4) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. However, the application of the above amendments will not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities and retained earnings. The carrying amounts of inventories are not adjusted.

The impact on the current year is set out below:

	<b>December 31, 2015</b>
<b>Impact on Assets, Liabilities and Equity</b>	
Decrease in net defined benefit liabilities	<u>\$ (376)</u>
Increase in retained earnings	<u>\$ 376</u>
Decrease in operating expense	\$ (376)
Increase in income tax expense	<u>64</u>
Decrease in net profit for the year	<u>\$ (312)</u>
Decrease in total comprehensive income for the year	<u>\$ (312)</u>
Decrease in net profit attributable to: Owners of the Company	<u>\$ (312)</u>
Decrease in total comprehensive income attributable to: Owners of the Company	<u>\$ (312)</u>
Impact on earnings per share:	
Increase in basic earnings per share	<u>\$ -</u>
Increase in diluted earnings per share	<u>\$ -</u>

The impact on the prior year is set out below:

<b>Impact on Assets, Liabilities and Equity</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated</b>
<u>December 31, 2014</u>			
Net defined benefit liabilities	<u>\$ 160,383</u>	<u>\$ 5,045</u>	<u>\$ 165,428</u>
Retained earnings	<u>\$ 6,358,318</u>	<u>\$ (5,045)</u>	<u>\$ 6,353,273</u>
<u>January 1, 2014</u>			
Net defined benefit liabilities	<u>\$ 156,864</u>	<u>\$ 5,045</u>	<u>\$ 161,909</u>
Retained earnings	<u>\$ 5,452,733</u>	<u>\$ (5,045)</u>	<u>\$ 5,447,688</u>

<b>Impact on Total Comprehensive Income</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated</b>
<u>For the year ended December 31, 2014</u>			
Operating expense	\$ (8,884,179)	\$ (161)	\$ (8,884,340)
Income tax expense	<u>(1,123,096)</u>	<u>27</u>	<u>(1,123,069)</u>
Total effect on net profit for the year	<u>4,932,010</u>	<u>(134)</u>	<u>4,931,876</u>

(Continued)

<b>Impact on Total Comprehensive Income</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated</b>
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plan	\$ (5,723)	\$ 161	\$ (5,562)
Income tax relating to items that will not be reclassified	<u>972</u>	<u>(27)</u>	<u>945</u>
Total effect on other comprehensive income for the year, net of income tax	<u>840,008</u>	<u>134</u>	<u>840,142</u>
Total effect on total comprehensive income for the year	<u>\$ 5,772,018</u>	<u>\$ -</u>	<u>\$ 5,772,018</u>
Impact on net profit attributable to:			
Owners of the Company	<u>\$ 4,907,782</u>	<u>\$ (134)</u>	<u>\$ 4,907,648</u>
Impact on total comprehensive income attributable to:			
Owners of the Company	<u>\$ 5,750,571</u>	<u>\$ -</u>	<u>\$ 5,750,571</u>
Impact on earnings per share:			
For the year ended December 31, 2014			
Basic	<u>\$ 7.80</u>	<u>\$ -</u>	<u>\$ 7.80</u>
Diluted	<u>\$ 7.77</u>	<u>\$ -</u>	<u>\$ 7.77</u>
			(Concluded)

#### Annual Improvements to IFRSs: 2009-2011 Cycle

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

#### b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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



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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

## 2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

## 3) IFRIC 21 “Levies”

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

## 4) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

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

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

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

## 5) Annual Improvements to IFRSs: 2011-2013 Cycle

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

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

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

## 6) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

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

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

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

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

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

## 7) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

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

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

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

9) IFRS 16 “Leases”

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

##### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities). 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 date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial

statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

e. Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

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

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

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

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

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

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

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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



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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the 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.

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

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

m. Financial instruments

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

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 amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is 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 are presented in a separate line item as financial assets carried 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 carrying amount and 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 equivalent, and debt investments with no active market), are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, 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 default on receivables.

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

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are 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, the 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 carried at cost, the amount of the impairment loss is measured as the difference between the 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

#### c) Derecognition of financial assets

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

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

### 2) Equity instruments

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

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

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

### 3) Financial liabilities

#### a) Subsequent measurement

Except the following situation, all the 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 the financial liability is either held for trading or it is designated as at fair value through profit or loss. Fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The 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 hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

o. Revenue recognition

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

1) Sale of goods

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

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

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

2) Rendering of services

Service income is recognized when services are provided.

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

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and 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 effective interest rate applicable.

p. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Employee share options

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

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

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. 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 value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

d. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group determines whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurements in accordance with relevant laws and regulations or by judgment.



Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, quoted prices of similar instruments in active markets, valuation multiples of comparable entities/market prices or rates and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 28.

e. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash on hand	\$ 65,144	\$ 4,852
Checking accounts and demand deposits	4,144,007	2,925,186
Time deposits with original maturities less than three months	<u>149,108</u>	<u>191,969</u>
	<u><u>\$ 4,358,259</u></u>	<u><u>\$ 3,122,007</u></u>

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Demand deposits	0.001% -13.26%	0.001% -10.00%
Time deposits with original maturities of less than three months	1.6% -5.0%	2.6% -5.6%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial assets held for trading - current</u>		
Derivative financial assets		
Forward exchange contracts	\$ 7,391	\$ 14,879
Nonderivative financial assets		
Domestic quoted shares	67,554	119,525
Foreign quoted shares	<u>101,444</u>	<u>30,998</u>
	<u><u>\$ 176,389</u></u>	<u><u>\$ 165,402</u></u>

(Continued)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial liabilities held for trading - current</u>		
Derivative financial liabilities		
Forward exchange contracts	\$ <u>6,352</u>	\$ <u>8,698</u> (Concluded)

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2015</u>			
Sell	EUR/NTD	2016.01-2016.04	EUR5,000/NTD179,073
	EUR/USD	2016.01-2016.04	EUR6,500/USD7,102
	USD/NTD	2016.01-2016.02	USD1,499/NTD49,190
	JPY/NTD	2016.01-2016.05	JPY200,000/NTD53,236
	JPY/USD	2016.01-2016.05	JPY70,000/USD582
	RMB/NTD	2016.01-2016.03	RMB64,000/NTD321,201
	RMB/USD	2016.01-2016.02	RMB15,000/USD2,323
<u>December 31, 2014</u>			
Sell	USD/NTD	2015.01-2015.04	USD1,263/NTD38,634
	EUR/USD	2015.01-2015.04	EUR1,000/USD1,263
	EUR/NTD	2015.01-2015.04	EUR10,500/NTD415,900
	JPY/NTD	2015.01-2015.03	JPY70,000/NTD20,011
	RMB/NTD	2015.01-2015.05	RMB65,000/NTD322,421

The Company entered into forward exchange contracts during the years ended December 31, 2015 and 2014 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities. The Company's financial hedging strategy is to minimize risks due to market price fluctuations and cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Current</u>		
Domestic investments		
Mutual funds	\$ 1,271,302	\$ 2,351,160
Quoted shares	484,541	133,083
Foreign investments		
Investment products denominated in RMB	-	947,116
	<u>\$ 1,755,843</u>	<u>\$ 3,431,359</u> (Continued)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Noncurrent</u>		
Domestic investments		
Quoted shares	\$ 1,704,966	\$ 2,385,937
Unlisted shares	9,375	9,375
Foreign investments		
Unlisted foreign shares	<u>33,257</u>	<u>33,257</u>
	<u>\$ 1,747,598</u>	<u>\$ 2,428,569</u>
		(Concluded)

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. As of December 31, 2015 and 2014, the stocks held in trust amounted to \$1,276,400 thousand and \$1,792,025 thousand, respectively. Refer to Table 3 for more information. On the transactions, the Group recognized gains of \$235 thousand and \$144 thousand in the years ended December 31, 2015 and 2014, respectively. These gains were recorded under other nonoperating income.

## 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Time deposits with original maturities more than three months	<u>\$ 3,171</u>	<u>\$ 5,487</u>

The market interest rates of the time deposits with original maturity more than three months were 1.00%-2.55% and 1.00%-2.50% per annum respectively as of December 31, 2015 and 2014.

## 10. NOTES AND ACCOUNTS RECEIVABLE

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Notes receivable (include related parties)	<u>\$ 970,722</u>	<u>\$ 949,861</u>
Accounts receivable	\$ 5,577,733	\$ 5,110,375
Less: Allowance for impairment loss	<u>(149,159)</u>	<u>(150,002)</u>
	<u>\$ 5,428,574</u>	<u>\$ 4,960,373</u>

### Accounts Receivable

The average credit period on sales of goods was from 30 to 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 1 year because historical experience had been that receivables that are past due beyond 1 year were not recoverable. Allowance for impairment loss were recognized against 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 not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Not overdue	\$ 4,457,975	\$ 4,165,906
Overdue		
1 to 90 days	909,380	747,270
91 to 360 days	131,727	117,746
Over 360 days	<u>78,651</u>	<u>79,453</u>
	<u><u>\$ 5,577,733</u></u>	<u><u>\$ 5,110,375</u></u>

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
1 to 30 days	\$ 714,634	\$ 607,795
31 to 60 days	139,362	99,746
61 to 90 days	<u>55,384</u>	<u>39,729</u>
	<u><u>\$ 909,380</u></u>	<u><u>\$ 747,270</u></u>

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

The movement of the allowance of doubtful trade receivables were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2014	\$ 3,150	\$ 137,652	\$ 140,802
Add (less): Impairment losses recognized (reversed) on receivables	16,652	(6,661)	9,991
Less: Amounts written off during the period as uncollectible	-	(2,467)	(2,467)
Foreign exchange translation gains	<u>-</u>	<u>1,676</u>	<u>1,676</u>
Balance at December 31, 2014	<u><u>\$ 19,802</u></u>	<u><u>\$ 130,200</u></u>	<u><u>\$ 150,002</u></u>
Balance at January 1, 2015	\$ 19,802	\$ 130,200	\$ 150,002
Add (less): Impairment losses recognized (reversed) on receivables	(2,203)	25,563	23,360
Less: Amounts written off during the period as uncollectible	(30)	(20,586)	(20,616)
Foreign exchange translation losses	<u>-</u>	<u>(3,587)</u>	<u>(3,587)</u>
Balance at December 31, 2015	<u><u>\$ 17,569</u></u>	<u><u>\$ 131,590</u></u>	<u><u>\$ 149,159</u></u>

The Group recognized impairment losses of \$1,432 thousand both on trade receivables as of December 31, 2015 and 2014. These amounts mainly related to customers that were in liquidation or in severe financial difficulties. The Group had no collaterals for these impaired trade receivables.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Raw materials	\$ 1,489,432	\$ 1,578,803
Work in process	974,373	894,068
Finished goods	1,875,649	1,740,456
Inventories in transit	<u>529,406</u>	<u>568,223</u>
	<u><u>\$ 4,868,860</u></u>	<u><u>\$ 4,781,550</u></u>

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2015 and 2014 were \$22,221,007 thousand and \$20,933,791 thousand, respectively.

The costs of inventories were decreased by \$443,926 thousand and \$446,653 thousand as of December 31, 2015 and 2014, respectively when stated at the lower of cost or net realizable values.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2015	2014	
The Company	AAC (BVI)	Investment and management service	100.00	100.00	
	ATC	Sale of industrial automation products	100.00	100.00	
	Advansus Corp.	Production and sale of industrial automation products	100.00	100.00	
	Advantech Corporate Investment	Investment holding company	100.00	100.00	
	AEUH	Investment and management service	100.00	100.00	
	ASG	Sale of industrial automation products	100.00	100.00	e
	AAU	Sale of industrial automation products	100.00	100.00	e
	AJP	Sale of industrial automation products	100.00	100.00	e
	AMY	Sale of industrial automation products	100.00	100.00	e
	AKR	Sale of industrial automation products	100.00	100.00	
	ABR	Sale of industrial automation products	80.00	80.00	e
	ACA	Production and sale of portable industrial automation products	100.00	100.00	
	AIN	Sale of industrial automation products	99.99	99.99	a
	AdvanPOS	Production and sale of POS system	100.00	69.47	b
	ALNC	Production and sale of machine control solution	89.93	89.93	c
	AMX	Sale of industrial automation products	100.00	100.00	a
Advantech Corporate Investment	Advantech Innovative Design Co., Ltd.	Product design	100.00	-	a, d
	Advantech iFactory Co., Ltd.	Cybernation equipments construction	100.00	-	a, d
	AiST	Design, develop and sale of intelligent service	100.00	100.00	
	Cermate	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	
	ATC	Investment and management service	100.00	100.00	
	ATC (HK)	Production and sale of components of industrial automation products	100.00	100.00	
AAC (BVI)	ANA	Sale and fabrication of industrial automation products	100.00	100.00	
	AAC (HK)	Investment and management service	100.00	100.00	

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2015	2014	
AAC (HK)	ACN	Sale of industrial automation products	100.00	100.00	
	AISC	Sale of industrial automation products	100.00	100.00	
	AXA	Development and production of software products	100.00	100.00	
ACN	Hangzhou Advantofine Automation Co., Ltd.	Processing and sale of industrial automation products	60.00	60.00	
AEUH	AEU	Sale of industrial automation products	100.00	100.00	
	APL	Sale of industrial automation products	100.00	100.00	e
AEU	A-DLoG	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	e
ASG	ATH	Production of computers	51.00	51.00	e
	AID	Sale of industrial automation products	100.00	100.00	e
Cermate	Land Mark	General investment	100.00	100.00	
Land Mark	Cermate (Shanghai)	Sale of industrial electronic equipments	100.00	100.00	
	Cermate (Shenzhen)	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	
AdvanPOS	Bright Mind Ltd.	General investment	100.00	100.00	
Bright Mind Ltd.	AdvanPOS Shanghai	Production and sale of POS system	100.00	100.00	f
ALNC	Better Auto	General investment	100.00	100.00	
Better Auto	Famous Now Limited	General investment	100.00	100.00	
Famous Now Limited	Dongguan Pou Yuen Digital Technology Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	

(Concluded)

Remark a: Not significant subsidiaries and their financial statements had not been audited. The management of the Company believe that there would not be material impacts had the financial statements of these subsidiaries been audited.

Remark b: In 2013, the Company acquired 70.19% equity in AdvanPOS, which was recognized as a consolidated entity as of December 31, 2013. AdvanPOS issued ordinary shares for the exercise of employee share options, decreasing the Company's holding interest by 8.08% in 2014. In the first three quarters of 2015 and fourth quarter of 2014, the Company subscribed for an additional 6,533 thousand shares and 1,127 thousand shares of AdvanPOS, respectively, increasing its holding interest by 37.89%. These transactions increased its interest from 70.19% to 100%.

Remark c: In 2013, the Company acquired 99.97% equity of ALNC and later bought the rest of this subsidiary's shares, resulting in the subsidiary's becoming wholly owned by the Company. Thus, ALNC was recognized as a consolidated entity as of December 31, 2013. In the first quarter of 2014, the Company sold 10.27% of its holding of ALNC shares to ALNC's employees; in the second and third quarters of 2014, the Company bought 0.14% and 0.06%, respectively, of ALNC's outstanding shares. These transactions reduced its continuing interest from 100% to 89.93%.

Remark d: In the second quarter of 2015, the Company founded Advantech Innovative Design Co., Ltd. and Advantech iFactory Co., Ltd. and acquired 100% equity in each of these subsidiaries. These two subsidiaries had been recognized as consolidated entities as of December 31, 2015.

Remark e: The financial statements of these subsidiaries as of and for the years ended December 31, 2014 and 2013 had not been audited by the Company's independent auditors but by other auditors.

Remark f: AdvanPOS Shanghai underwent its liquidation in December 31, 2015 and plans to complete the process by the end of 2016, with AdvanPOS as the eliminating entity after the merger.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Investments in Associates

Immaterial Associates	December 31	
	2015	2014
<u>Listed companies</u>		
Axiomtek Co., Ltd. (Axiomtek)	\$ 450,246	\$ 420,063
<u>Unlisted companies</u>		
Deneng Scientific Research Co., Ltd. (Deneng)	18,228	17,758
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	<u>9,510</u>	<u>9,842</u>
	<u>\$ 477,984</u>	<u>\$ 447,663</u>

In January 2014, the Group subscribed for 658 thousand ordinary shares of Deneng for \$18,095 thousand in cash and acquired 39.69% interest in the investee; thus, the Group could exercise significant influence over the investee.

When the Group disposed of all of its interest in GPEG K&M Ltd. in June 2014, which resulted in proceeds of \$1,407 thousand (GBP28 thousand) and a loss of \$19,313 thousand, it ceased to have significant influence on this investee.

The associates listed above were accounted for by the equity method.

Aggregate information on the associates

	December 31	
	2015	2014
The Group's share of		
Profit from continuing operations	\$ 110,226	\$ 100,264
Other comprehensive income	<u>25</u>	<u>4,711</u>
Total comprehensive income for the year	<u>\$ 110,251</u>	<u>\$ 104,975</u>

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 was based on the associates' financial statements audited by the auditors for the same years.

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 2,916,539	\$ 3,068,828	\$ 1,300,425	\$ 641,145	\$ 940,524	\$ 1,821,226	\$ 10,688,687
Additions	165,222	45,671	101,324	100,244	223,028	591,081	1,226,570
Disposals	(35,506)	(28,745)	(35,608)	(23,643)	(38,407)	(14,965)	(176,874)
Reclassifications	13,248	2,140,187	169,220	37,882	209,443	(2,359,874)	210,106
Effect of exchange differences	<u>5,812</u>	<u>94,245</u>	<u>19,248</u>	<u>2,021</u>	<u>29,844</u>	<u>3,418</u>	<u>154,588</u>
Balance at December 31, 2014	<u>\$ 3,065,315</u>	<u>\$ 5,320,186</u>	<u>\$ 1,554,609</u>	<u>\$ 757,649</u>	<u>\$ 1,364,432</u>	<u>\$ 40,886</u>	<u>\$ 12,103,077</u>

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2014	\$ -	\$ 758,190	\$ 914,897	\$ 456,049	\$ 617,872	\$ -	\$ 2,747,008
Disposals	-	(9,690)	(32,189)	(23,050)	(27,897)	-	(92,826)
Depreciation expense	-	135,507	131,198	85,116	152,390	-	504,211
Reclassifications	-	-	19,932	(31,275)	38,088	-	26,745
Effect of exchange differences	-	15,529	10,340	3,579	11,885	-	41,333
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 899,536</u>	<u>\$ 1,044,178</u>	<u>\$ 490,419</u>	<u>\$ 792,338</u>	<u>\$ -</u>	<u>\$ 3,226,471</u>
Carrying amounts at December 31, 2014	<u>\$ 3,065,315</u>	<u>\$ 4,420,650</u>	<u>\$ 510,431</u>	<u>\$ 267,230</u>	<u>\$ 572,094</u>	<u>\$ 40,886</u>	<u>\$ 8,876,606</u>
<u>Cost</u>							
Balance at January 1, 2015	\$ 3,065,315	\$ 5,320,186	\$ 1,554,609	\$ 757,649	\$ 1,364,432	\$ 40,886	\$ 12,103,077
Additions	-	82,554	63,060	53,497	198,133	947,502	1,344,746
Disposals	-	-	(112,157)	(30,856)	(49,361)	-	(192,374)
Reclassifications	-	(5,438)	40,501	(875)	33,588	(73,138)	(5,362)
Effect of exchange differences	2,949	(48,312)	(12,373)	(9,120)	(13,754)	(122)	(80,732)
Balance at December 31, 2015	<u>\$ 3,068,264</u>	<u>\$ 5,348,990</u>	<u>\$ 1,533,640</u>	<u>\$ 770,295</u>	<u>\$ 1,533,038</u>	<u>\$ 915,128</u>	<u>\$ 13,169,355</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015	\$ -	\$ 899,536	\$ 1,044,178	\$ 490,419	\$ 792,338	\$ -	\$ 3,226,471
Depreciation expense	-	159,248	134,207	94,943	179,843	-	568,241
Disposals	-	-	(108,408)	(28,122)	(27,567)	-	(164,097)
Reclassifications	-	(857)	29	(4,715)	2,408	-	(3,135)
Effect of exchange differences	-	(11,866)	(6,978)	(6,758)	(9,402)	-	(35,004)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 1,046,061</u>	<u>\$ 1,063,028</u>	<u>\$ 545,767</u>	<u>\$ 937,620</u>	<u>\$ -</u>	<u>\$ 3,592,476</u>
Carrying amounts at December 31, 2015	<u>\$ 3,068,264</u>	<u>\$ 4,302,929</u>	<u>\$ 470,612</u>	<u>\$ 224,528</u>	<u>\$ 595,418</u>	<u>\$ 915,128</u>	<u>\$ 9,576,879</u>

(Concluded)

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

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

## 15. GOODWILL

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Cost</u>		
Balance at January 1	\$ 1,168,727	\$ 1,265,658
Adjustments for goodwill after merger	-	(68,766)
Effect of exchange differences	<u>(29,168)</u>	<u>(28,165)</u>
Balance at December 31	<u>\$ 1,139,559</u>	<u>\$ 1,168,727</u>

On November 18, 2013, the Group acquired 100% equity in GPEG International Ltd. for \$278,641 thousand (£5,850 thousand). The consideration was payable in four annual installments from 2013 to 2016. Based on a valuation report received on October 28, 2014, the consideration should be adjusted to \$254,352 thousand (£5,340 thousand) after deducting finance costs and fair value adjustments to the assets and liabilities acquired. The fair value of intangible assets of GPEG at the date of acquisition was different from the provisional amounts. Thus, the Group made adjustments to the purchase price and fair value of assets acquired to reflect the facts and circumstances that existed on the date of acquisition. Payments for the consideration were \$51,522 thousand and \$31,033 thousand in 2015 and 2014, respectively.



Items in the consolidated balance sheet increased or decreased by the following amounts:

	<b>December 31, 2013</b>	<b>Acquisition Date</b>
Goodwill adjustment	<u>\$ 162,244</u>	<u>\$ 93,478</u>
Intangible assets	<u>\$ -</u>	<u>\$ 44,477</u>

## 16. PREPAYMENTS FOR LEASE OBLIGATION

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current assets (included in other current assets)	\$ 2,557	\$ 2,606
Noncurrent assets	<u>100,875</u>	<u>96,516</u>
	<u>\$ 103,432</u>	<u>\$ 99,122</u>

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

## 17. BORROWINGS

### Short-term Borrowings

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unsecured borrowings		
Line of credit borrowings	<u>\$ 880,625</u>	<u>\$ 3,080</u>

The weighted average effective interest rates on bank loans were 1.28%-1.84% and 0.80%-1.30% per annum as of December 31, 2015 and 2014, respectively.

## 18. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Other payables		
Payable for salaries or bonuses	\$ 2,167,475	\$ 2,132,546
Payable for royalties	138,206	122,618
Payable for employee benefits	105,186	48,622
Others (Note)	<u>969,450</u>	<u>870,403</u>
	<u>\$ 3,380,317</u>	<u>\$ 3,174,189</u>

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

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

For certain subsidiaries with a few or no employees, such as Advantech Corporate Investment, ACA, ATC, AEUH, AAC (BVI), AAC (HK), AIN and ATC (HK), they have not established a set of policies for employee retirement and therefore not recognized related retirement expenses.

Except for those aforementioned subsidiaries, the rest of overseas subsidiaries recognized retirement expenses when making contribution to the retirement plan in accordance with local laws.

### b. Defined benefit plans

The defined benefit plan adopted by the Company and Cermate in accordance with the Labor Standards Law, is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Cermate Technologies Inc. each contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by pension fund monitoring committees. Pension contributions are deposited in the Bank of Taiwan in the committees' name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Present value of defined benefit obligation	\$ 332,269	\$ 312,216
Fair value of plan assets	(148,729)	(146,788)
Deficit (surplus)	<u>183,540</u>	<u>165,428</u>
Net defined benefit liability (asset)	<u>\$ 183,540</u>	<u>\$ 165,428</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2014	<u>\$ 297,270</u>	<u>\$ (135,361)</u>	<u>\$ 161,909</u>
Service cost			
Current service cost	3,353	-	3,353
Net interest expense (income)	<u>5,295</u>	<u>(2,458)</u>	<u>2,837</u>
Recognized in profit or loss	<u>8,648</u>	<u>(2,458)</u>	<u>6,190</u>
			(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (1,828)	\$ (1,828)
Actuarial (gain) loss - changes in demographic assumptions	6,690	-	6,690
Actuarial (gain) loss - experience adjustments	<u>700</u>	<u>-</u>	<u>700</u>
Recognized in other comprehensive income	<u>7,390</u>	<u>(1,828)</u>	<u>5,562</u>
Contributions from the employer	-	(8,233)	(8,233)
Benefits paid	<u>(1,092)</u>	<u>1,092</u>	<u>-</u>
Balance at December 31, 2014	<u>312,216</u>	<u>(146,788)</u>	<u>165,428</u>
Service cost			
Current service cost	2,344	-	2,344
Past service cost	1,340	-	1,340
Net interest expense (income)	<u>5,859</u>	<u>(2,830)</u>	<u>3,029</u>
Recognized in profit or loss	<u>9,543</u>	<u>(2,830)</u>	<u>6,713</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,032)	(1,032)
Actuarial (gain) loss - changes in demographic assumptions	12,407	-	12,407
Actuarial (gain) loss - changes in financial assumptions	10,070	-	10,070
Actuarial (gain) loss - experience adjustments	<u>(2,142)</u>	<u>-</u>	<u>(2,142)</u>
Recognized in other comprehensive income	<u>20,335</u>	<u>(1,032)</u>	<u>19,303</u>
Contributions from the employer	-	(7,904)	(7,904)
Benefits paid	<u>(9,825)</u>	<u>9,825</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 332,269</u>	<u>(148,729)</u>	<u>\$ 183,540</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating costs	\$ 1,083	\$ 1,108
Selling and marketing expenses	838	776
General and administrative expenses	2,823	2,319
Research and development expenses	<u>1,969</u>	<u>1,987</u>
	<u>\$ 6,713</u>	<u>\$ 6,190</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rate(s)	1.625%-1.750%	1.875%-2.000%
Expected rate(s) of salary increase	3.000%-3.250%	3.000%-3.250%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rate(s)		
0.25% increase	<u>\$ (10,434)</u>	<u>\$ (9,942)</u>
0.25% decrease	<u>\$ 10,894</u>	<u>\$ 10,382</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 10,544</u>	<u>\$ 10,070</u>
0.25% decrease	<u>\$ (10,156)</u>	<u>\$ (9,697)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
The expected contributions to the plan for the next year	<u>\$ 7,977</u>	<u>\$ 7,811</u>
The average duration of the defined benefit obligation	12.8-16.8 years	13.0-17.3 years

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Number of shares authorized (in thousands)	800,000	800,000
Amount of shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	631,853	631,209
Amount of shares issued and fully paid	<u>\$ 6,318,531</u>	<u>\$ 6,312,091</u>

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

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

### b. Capital surplus

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of common shares	\$ 3,396,888	\$ 3,396,888
Arising from conversion of bonds	931,849	931,849
Arising from the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	11,457
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interest in subsidiaries (2)	4,246	679
Arising from employee share options	792,341	736,092
Arising from distribution of stock dividends	78,614	78,614
<u>May not be used for any purpose</u>		
Arising from share of changes in capital surplus of associates	12,698	10,526
Arising from employee share options	<u>370,919</u>	<u>140,853</u>
	<u>\$ 5,587,555</u>	<u>\$ 5,306,958</u>

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

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

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, if the Company has earnings for the year, it should primarily make taxation payments, offset any past years' deficits and then make appropriations for its legal reserve at 10% of annual net income. In addition, a special reserve should be appropriated or reversed as needed, adding cumulative retained earnings from previous periods and retaining partially, retained earnings for corporate growth. The remainder of the income should be appropriated in the following order:

- 1) 1% to 20% as bonus to employees;
- 2) 1% or less as remuneration to directors and supervisors; and
- 3) Dividends, as proposed by the board of directors.

Recipients of stock bonuses may include subsidiaries' employees who meet the criteria set by the Company's board of directors.

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

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 12, 2015 and are subject to the resolution of the shareholders in their meeting to be held on May 25, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to c. Employee benefits expense in Note 21.

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

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

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

The appropriation of earnings for 2014 and 2013 have been approved in the shareholders' meetings on May 28, 2015 and June 18, 2014, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Legal reserve	\$ 490,778	\$ 410,640	\$ -	\$ -
Cash dividends	3,787,255	3,017,820	6.0	5.3
Stock dividends	-	569,400	-	1.0

The appropriations of earnings for 2015 had been proposed by the Company's board of directors on March 4, 2016. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 510,434	\$ -
Cash dividends	3,791,118	6.00

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held on May 25, 2016.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 338,356	\$ 130,041
Exchange differences on translating the net assets of foreign operations	(82,566)	246,470
Related income tax	13,620	(42,667)
Share of exchange difference of associates accounted for using the equity method	<u>2,449</u>	<u>4,512</u>
Balance at December 31	<u>\$ 271,859</u>	<u>\$ 338,356</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 563,277	\$ (75,534)
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(292,554)	681,974
Cumulative gain reclassified to profit or loss on disposal of available-for-sale financial assets	<u>(202,458)</u>	<u>(43,163)</u>
Balance at December 31	<u>\$ 68,265</u>	<u>\$ 563,277</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 187,000	\$ 161,891
Attributable to non-controlling interests:		
Share of profit for the year	22,629	24,228
Exchange difference arising on translation of foreign entities	(18,924)	(2,566)
Remeasurement on defined benefit plans	(255)	(258)
Related income tax	43	43
Non-controlling interests arising from acquisition of subsidiaries (Note 25)	(44,217)	(24,659)
Partial disposal of subsidiaries (Note 25)	<u>-</u>	<u>28,321</u>
Balance at December 31	<u>\$ 146,276</u>	<u>\$ 187,000</u>

## 21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Interest on bank loans	\$ 1,285	\$ 6,031
Interest on convertible bonds	-	21
Others	<u>8,756</u>	<u>8,368</u>
	<u>\$ 10,041</u>	<u>\$ 14,420</u>

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Property, plant and equipment	\$ 568,241	\$ 504,211
Intangible assets	<u>97,953</u>	<u>90,709</u>
	<u>\$ 666,194</u>	<u>\$ 594,920</u>
An analysis of depreciation by function		
Operating costs	\$ 130,104	\$ 125,109
Operating expenses	<u>438,137</u>	<u>379,102</u>
	<u>\$ 568,241</u>	<u>\$ 504,211</u>
An analysis of amortization by function		
Operating costs	\$ 7,748	\$ 3,004
Selling and marketing expense	298	2,254
General and administrative expense	63,661	47,368
Research and development expense	<u>26,246</u>	<u>38,083</u>
	<u>\$ 97,953</u>	<u>\$ 90,709</u>



c. Employee benefit expense

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term benefits	\$ 6,906,701	\$ 6,840,620
Post-employment benefits		
Defined contribution plans	270,504	244,045
Defined benefit plans (Note 19)	<u>6,713</u>	<u>6,190</u>
	277,217	250,235
Share-based payments		
Equity-settled	261,877	111,393
Other employee benefits	<u>492,356</u>	<u>464,611</u>
Total employee benefit expense	<u>\$ 7,938,151</u>	<u>\$ 7,666,859</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,783,857	\$ 1,700,981
Operating expenses	<u>6,154,294</u>	<u>5,965,878</u>
	<u>\$ 7,938,151</u>	<u>\$ 7,666,859</u>

The existing Articles of Incorporation of the Company stipulates the distribution of bonus to employees at rates no less than 1% and no higher than 20%, and remuneration to directors and supervisors at a rate no higher than 1%, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$126,000 thousand and \$12,000 thousand, respectively (recognized as Other payables).

To be in compliance with the Company Act as amended in May 2015, the proposed amendments to the Company's Articles of Incorporation stipulate the distribution of employees' compensation at rates no less than 1% and no higher than 20%, and remuneration to directors and supervisors at a rate no higher than 1%, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were \$200,000 thousand and \$12,000 thousand, respectively. The bonus to employees and remuneration to directors and supervisors in the form of cash for the year ended December 31, 2015 were proposed by the Company's board of directors on March 4, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on May 25, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 approved in the shareholders' meetings on May 28, 2015 and June 18, 2014, respectively, were as follows:

	<b>Cash Dividends</b>	
	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Bonus to employees	\$ 126,000	\$ 70,000
Remuneration to directors and supervisors	12,000	12,000

There was no significant difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on May 28, 2015 and June 18, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

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

d. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Foreign exchange gains	\$ 1,113,263	\$ 747,219
Foreign exchange losses	<u>(1,300,152)</u>	<u>(669,013)</u>
Net (loss) gain	<u>\$ (186,889)</u>	<u>\$ 78,206</u>

## 22. INCOME TAX RELATING

a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
In respect of current year	\$ 1,098,440	\$ 834,700
Income tax expense for unappropriated earnings	62,909	11,219
Adjustments for prior year	<u>480</u>	<u>62,934</u>
	<u>1,161,829</u>	<u>908,853</u>
Deferred tax		
In respect of current year	1,872	214,216
Adjustments for prior year	<u>(1,141)</u>	<u>-</u>
	<u>731</u>	<u>214,216</u>
Income tax expense recognized in profit or loss	<u>\$ 1,162,560</u>	<u>\$ 1,123,069</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit before tax from continuing operations	<u>\$ 6,289,535</u>	<u>\$ 6,054,945</u>
Income tax expense calculated at the statutory rate	\$ 1,393,286	\$ 1,317,713
Nondeductible expenses in determining taxable income	3,755	3,119
Tax-exempt income	(219,899)	(220,305)
Income tax on unappropriated earnings	62,909	11,219
Investment credits in the current year	(57,000)	(218)
Loss carryforwards in the current year	(229)	(40,641)
		(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Unrecognized unappropriated earnings of subsidiaries	\$ (20,742)	\$ (11,692)
Adjustments for prior years' tax	480	62,934
Others	<u>-</u>	<u>940</u>
Income tax expense recognized in profit or loss	<u>\$ 1,162,560</u>	<u>\$ 1,123,069</u> (Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%, except for subsidiaries qualified for 15% preferential tax rate for Hi-Tech Industries. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 10% income tax rate of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Deferred tax</u>		
In respect of current year		
Translation of foreign operations	\$ 13,620	\$ (42,667)
Remeasurement on defined benefit plan	<u>3,281</u>	<u>945</u>
	<u>\$ 16,901</u>	<u>\$ (41,722)</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax liabilities		
Income tax payable	<u>\$ 1,057,226</u>	<u>\$ 787,404</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2015

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized gross profit	\$ 40,938	\$ 15,205	\$ -	\$ 56,143
Unrealized loss on inventory write-down	46,167	3,319	-	49,486

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Defined benefit obligation	\$ 16,680	\$ 235	\$ -	\$ 16,915
Unrealized warranty liabilities	23,540	2,479	-	26,019
Remeasurement of defined benefit plans	2,951	-	3,281	6,232
Unrealized exchange losses	64	8,437	-	8,501
Allowance for impaired receivables	2,839	143	-	2,982
Others	<u>28,089</u>	<u>23,622</u>	<u>-</u>	<u>51,711</u>
	<u>\$ 161,268</u>	<u>\$ 53,440</u>	<u>\$ 3,281</u>	<u>\$ 217,989</u>

Deferred tax liabilities

Temporary differences				
Undistributed earnings of subsidiaries	\$ 812,609	\$ 63,349	\$ -	\$ 875,958
Exchange difference on foreign operations	69,302	-	(13,620)	55,682
Remeasurement of defined benefit plans	3,646	-	-	3,646
Unrealized exchange gains (losses)	11,091	(10,268)	-	823
Others	<u>1,292</u>	<u>1,090</u>	<u>-</u>	<u>2,382</u>
	<u>\$ 897,940</u>	<u>\$ 54,171</u>	<u>\$ (13,620)</u>	<u>\$ 938,491</u>

(Concluded)

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition through Business Combinations	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized gross profit	\$ 41,968	\$ (1,030)	\$ -	\$ -	\$ 40,938
Unrealized loss of inventory write-down	21,488	24,679	-	-	46,167
Loss carry forwards	12,865	(12,865)	-	-	-
Defined benefit obligation	16,823	(143)	-	-	16,680
Unrealized warranty liabilities	7,014	16,526	-	-	23,540
Remeasurement on defined benefit plans	1,949	27	848	127	2,951
Unrealized exchange losses (gains)	1,339	(1,275)	-	-	64
Doubtful debts in excess of allowable limit	-	2,839	-	-	2,839
Others	<u>40,601</u>	<u>(12,512)</u>	<u>-</u>	<u>-</u>	<u>28,089</u>
	<u>\$ 144,047</u>	<u>\$ 16,246</u>	<u>\$ 848</u>	<u>\$ 127</u>	<u>\$ 161,268</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition through Business Combinations	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Undistributed earnings of subsidiaries	\$ 588,210	\$ 224,399	\$ -	\$ -	\$ 812,609
Exchange difference on foreign operations	26,635	-	42,667	-	69,302
Remeasurement on defined benefit plans	3,644	(1,211)	(97)	1,310	3,646
Unrealized exchange gains	1,299	9,792	-	-	11,091
Others	<u>3,810</u>	<u>(2,518)</u>	<u>-</u>	<u>-</u>	<u>1,292</u>
	<u>\$ 623,598</u>	<u>\$ 230,462</u>	<u>\$ 42,570</u>	<u>\$ 1,310</u>	<u>\$ 897,940</u>
					(Concluded)

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss carryforwards		
2017	\$ 23,013	\$ 24,371
2018	37,282	37,282
2019	29,410	29,410
2021	16,487	16,487
2022	<u>13,126</u>	<u>13,126</u>
	<u>\$ 119,318</u>	<u>\$ 120,676</u>
Deductible temporary differences		
Accumulative losses of subsidiaries	<u>\$ -</u>	<u>\$ 20,742</u>

- f. Information about unused loss carryforwards and tax-exemption

As of December 31, 2015, loss carryforwards comprised of:

<b>Remaining Creditable Amount</b>		<b>Expiry Year</b>
<b>Advantech Corporate Investment</b>	<b>AdvanPOS Technology Co., Ltd.</b>	
\$ 19,413	\$ 3,600	2017
-	37,282	2018
-	29,410	2019
-	16,487	2021
-	<u>13,126</u>	2022
<u>\$ 19,413</u>	<u>\$ 99,905</u>	

As of December 31, 2015, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

<b>Company Name</b>	<b>Expansion Project</b>	<b>Tax-Exemption Period</b>
The Company	Investments in production of intelligent-integrated commodities	2011-2015

g. Integrated income tax

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 7,098,449</u>	<u>\$ 6,353,273</u>
Imputation credits accounts	<u>\$ 608,917</u>	<u>\$ 271,571</u>
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Creditable ratio for distribution of earning	15.07%	13.14%

h. Income tax assessments

The Company's tax returns through 2010 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2008 and 2009 tax returns and applied for reexamination. Nevertheless, to be conservative, the Company made provided for the income tax assessed by the tax authorities.

## 23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Basic earnings per share	<u>\$ 8.08</u>	<u>\$ 7.80</u>
Diluted earnings per share	<u>\$ 8.05</u>	<u>\$ 7.77</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**

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Earnings used in the computation of basic earnings per share	\$ 5,104,346	\$ 4,907,648
Effect of dilutive potential ordinary shares:		
Convertible bonds	-	21
Earnings used in the computation of diluted earnings per share	<u>\$ 5,104,346</u>	<u>\$ 4,907,669</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares in computation of basic earnings per share	631,633	628,853
Effect of dilutive potential ordinary shares:		
Convertible bonds	-	18
Employee share options	1,372	2,367
Employees' compensation or bonus issue to employees	<u>1,202</u>	<u>336</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>634,207</u>	<u>631,574</u>

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 5,000 options in August 2014, 3,000 options in July 2010, and 10,000 options in December 2009. Each option entitles the holder to subscribe for one thousand common shares of the Company. The holders of these shares include employees whom meet certain criteria set by the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in August 2014, July 2010, and December 2009 are valid for six, five and five years, respectively. All are exercisable at certain percentages after the second anniversary year from the grant date. Options granted in 2009 and 2010 had an exercise price equal to the closing price of the Company's common shares listed on the grant date, and the exercise price of those granted in 2014 was NT\$100 per share. For any subsequent changes in the Company's paid-in capital, the exercise price and the number of options will be adjusted accordingly.

Information on employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2015</b>		<b>2014</b>	
<b>Employee Share Options</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted-average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted-average Exercise Price (NT\$)</b>
Balance at January 1	5,644	\$ 94.10	5,300	\$ 48.80
Options granted	-	-	5,000	100.00
Options exercised	<u>(644)</u>	47.95	<u>(4,656)</u>	45.98
Balance at December 31	<u>5,000</u>	100.00	<u>5,644</u>	94.10
Options exercisable, end of the year	<u>-</u>	-	<u>644</u>	48.30
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$145.77-150.16</u>	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2015 and 2014 were from NT\$198 to NT\$278 and from NT\$189 to NT\$280.5, respectively.

Information about outstanding options as of December 31, 2015 and 2014 was as follows:

	For the Year Ended December 31			
	2015		2014	
Employee Share Options	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2014	\$100.00	4.63	\$100.00	5.63
Issuance in 2010	-	-	48.30	0.53

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

	2014	2010	2009
Grant-date share price (NT\$)	\$239.5	\$67.4	\$61.9
Exercise price (NT\$)	\$100	\$67.4	\$61.9
Expected volatility	28.28%-29.19%	34.11%-35.15%	37.78%-35.22%
Expected life (years)	4-5.5 years	3.5-4.5 years	3.5-4.5 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	1.07%-1.30%	0.92%-1.10%	0.58%-0.79%

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

Compensation cost recognized was \$261,877 thousand and \$111,393 thousand for the years ended December 31, 2015 and 2014.

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2015		2014	
Employee Share Options	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	446	\$10.00	800	\$10.00
Options exercised	(423)	10.00	(194)	10.00
Options expired	(23)	-	(55)	-
Options forfeited	-	-	(105)	-
Balance at December 31	-	-	446	10.00
Options exercisable, end of the year	-	-	268	10.00



Information about outstanding options as of December 31, 2015 and 2014 was as follows:

	For the Year Ended December 31			
	2015		2014	
Employee Share Options	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2010	\$ 10.00	-	\$ 10.00	1.17

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

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

## 25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- AdvanPOS issued ordinary shares for the exercise of employee share options, decreasing the Company's holding interest by 8.08% since 2014. In the first three quarters of 2015 and fourth quarter of 2014, the Company subscribed for an additional 6,533 thousand shares and 1,127 thousand shares of AdvanPOS, increasing its continuing interest by 37.89%. These transactions increased its continuing from 70.19% to 100.00%.
- In the first quarter of 2014, the Group acquired an additional 0.02% holding interests in Netstar, increasing its interest to 95.49% and 95.51%. The Company merged with Netstar at the end of the third quarter of 2014 as a result of investment restructuring.
- The Group acquired an additional 0.03% holding interest in ALNC in November 2013. In the first quarter of 2014, the Group sold 10.27% of its holding of shares of ALNC to ALNC's employees; in the second and third quarters of 2014, the Company bought 0.14% and 0.06%, respectively, of ALNC's outstanding shares. These transactions reduced its continuing interest from 100% to 89.93%.

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

	For the Year Ended December 31, 2015
	AdvanPOS
Cash consideration paid	\$ (118,577)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>44,217</u>
Differences arising from equity transaction	<u>\$ (74,360)</u>
	(Continued)

**For the Year  
Ended  
December 31,  
2015**

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**AdvanPOS**

Line items adjusted for equity transaction

Capital surplus - difference between consideration received or paid and carrying amounts of the subsidiaries' net assets during actual disposal or acquisition	\$ (11,457)
Retained earnings	<u>(62,903)</u>
	<u>\$ (74,360)</u>
Capital surplus - changes in percentage of ownership interest in subsidiaries	<u>\$ 3,567</u> (Concluded)

**For the Year Ended December 31, 2014**

	<b>Netstar</b>	<b>ALNC</b>	<b>AdvanPOS</b>	<b>Total</b>
Cash consideration received (paid)	\$ (13,520)	\$ 51,174	\$ (22,535)	\$ 15,119
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>13,167</u>	<u>(28,321)</u>	<u>11,492</u>	<u>(3,662)</u>
Differences arising from equity transaction	<u>\$ (353)</u>	<u>\$ 22,853</u>	<u>\$ (11,043)</u>	<u>\$ 11,457</u>
<u>Line items adjusted for equity transaction</u>				
Capital surplus - difference between consideration received or paid and carrying amounts of the subsidiaries' net assets during actual disposal or acquisition	\$ (353)	\$ 22,853	\$ (11,043)	\$ 11,457
Unappropriated retained earnings	<u>-</u>	<u>-</u>	<u>(1,873)</u>	<u>(1,873)</u>
	<u>\$ (353)</u>	<u>\$ 22,853</u>	<u>\$ (12,916)</u>	<u>\$ 9,584</u>

## 26. OPERATING LEASE ARRANGEMENTS

### **The Group as Lessee**

#### Lease arrangements

The Group leased offices in the U.S.A., Europe and Japan from third parties; the lease contracts, which will end between 2012 and 2017, are renewable upon expiry.

As of December 31, 2015 and 2014, refundable deposits (recognized as other noncurrent assets) for the operating leases were \$23,612 thousand and \$25,086 thousand, respectively.

Recognized as expenses

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Rental expenses	<u>\$ 192,248</u>	<u>\$ 171,528</u>

## 27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2014 through 2015.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued.

## 28. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2015

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

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ <u>-</u>	\$ <u>6,352</u>	\$ <u>-</u>	\$ <u>6,352</u> (Concluded)

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 14,879	\$ -	\$ 14,879
Non-derivative financial asset held for trading	<u>150,523</u>	<u>-</u>	<u>-</u>	<u>150,523</u>
	<u>\$ 150,523</u>	<u>\$ 14,879</u>	<u>\$ -</u>	<u>\$ 165,402</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 2,519,020	\$ -	\$ -	\$ 2,519,020
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	2,351,160	-	-	2,351,160
Investment products denominated in RMB	<u>-</u>	<u>-</u>	<u>947,116</u>	<u>947,116</u>
	<u>\$ 4,870,180</u>	<u>\$ -</u>	<u>\$ 989,748</u>	<u>\$ 5,859,928</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ <u>-</u>	\$ <u>8,698</u>	\$ <u>-</u>	\$ <u>8,698</u>

As of December 31, 2015 and 2014, there were no transfers between Levels 1 and 2.

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

For the year ended December 31, 2015

	Available-for-sale Financial Assets		
	Equity Instruments	Investment Products	Total
Financial assets			
Balance at January 1, 2015	\$ 42,632	\$ 947,116	\$ 989,748
Purchases	-	3,629,130	3,629,130
Disposal	-	(4,565,265)	(4,565,265)
Effect of foreign exchange	<u>-</u>	<u>(10,981)</u>	<u>(10,981)</u>
Balance at December 31, 2015	<u>\$ 42,632</u>	<u>\$ -</u>	<u>\$ 42,632</u>

For the year ended December 31, 2014

	<b>Available-for-sale Financial Assets</b>		<b>Total</b>
	<b>Equity Instruments</b>	<b>Investment Products</b>	
<u>Financial assets</u>			
Balance at January 1, 2014	\$ 35,132	\$ -	\$ 35,132
Purchases	<u>7,500</u>	<u>947,116</u>	<u>954,616</u>
Balance at December 31, 2014	<u>\$ 42,632</u>	<u>\$ 947,116</u>	<u>\$ 989,748</u>

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

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

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

The fair values of investment products denominated in RMB were using income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. Had the inputs to the valuation model been changed to reflect reasonably possible alternative assumptions and had all the other variables been held constant, the fair value of the shares would have increased/decreased.

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading (Note 1)	\$ 176,389	\$ 165,402
Loans and receivables (Note 2)	10,828,312	9,098,328
Available-for-sale financial assets	3,503,441	5,859,928
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	6,352	8,698
Measured at amortized cost (Note 3)	7,487,011	6,386,492

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

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

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

	<b>U.S. Dollar Impact</b>		<b>Euro Impact</b>		<b>Renminbi Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>		<b>December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Profit or loss	\$ 40,853 (Note 1)	\$ 27,648 (Note 1)	\$ 41,829 (Note 2)	\$ 56,189 (Note 2)	\$ 5,894 (Note 3)	\$ 3,875 (Note 3)

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

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

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

b) Interest rate risk

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

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fair value interest rate risk		
Financial assets	\$ 152,279	\$ 1,163,222
Financial liabilities	60,000	3,080
Cash flow interest rate risk		
Financial assets	2,817,236	2,586,731
Financial liabilities	820,625	-

### Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would increase by \$9,983 thousand and \$12,934 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

#### c) Other price risk

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

### Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profits for the years ended December 31, 2015 and 2014 would have increased by \$1,690 thousand and \$1,505 thousand as a result of changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the years ended December 31, 2015 and 2014 would have increased by \$34,608 thousand and \$48,702 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

#### 2) Credit risk

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

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

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



### 3) Liquidity risk

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

Bank borrowings are a significant source of the Group's liquidity. As of December 31, 2015 and 2014, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

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

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

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

#### December 31, 2015

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

December 31, 2014

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year- 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,845,592	\$ 1,722,512	\$ 772,280	\$ 43,028
Fixed interest rate liabilities	<u>10</u>	<u>20</u>	<u>3,069</u>	<u>-</u>
	<u>\$ 3,845,602</u>	<u>\$ 1,722,532</u>	<u>\$ 775,349</u>	<u>\$ 43,028</u>

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

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

December 31, 2015

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

December 31, 2014

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Total</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 229,050	\$ 602,341	\$ 5,024	\$ 836,415
Outflows	<u>225,029</u>	<u>600,162</u>	<u>5,043</u>	<u>830,234</u>
	<u>\$ 4,021</u>	<u>\$ 2,179</u>	<u>\$ (19)</u>	<u>\$ 6,181</u>

c) Financing facilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unsecured overdraft loan facility, reviewed annually and payable at call		
Amount used	\$ 880,625	\$ 3,000
Amount unused	<u>3,603,268</u>	<u>3,426,056</u>
	<u><u>\$ 4,483,893</u></u>	<u><u>\$ 3,429,056</u></u>

## 29. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

	<b>For the Year Ended December 31</b>	
<b>Related Party Categories</b>	<b>2015</b>	<b>2014</b>
Associates	\$ 69,760	\$ 80,889
Other related parties	<u>-</u>	<u>221</u>
	<u><u>\$ 69,760</u></u>	<u><u>\$ 81,110</u></u>

b. Purchases of goods

	<b>For the Year Ended December 31</b>	
<b>Related Party Categories</b>	<b>2015</b>	<b>2014</b>
Associates	<u><u>\$ 22,241</u></u>	<u><u>\$ 24,357</u></u>

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

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2015</b>	<b>2014</b>
Accounts receivable from related parties	Associates	<u><u>\$ 26,775</u></u>	<u><u>\$ 5,400</u></u>
Notes receivable	Associates	<u><u>\$ 183</u></u>	<u><u>\$ 370</u></u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

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

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2015</b>	<b>2014</b>
Accounts payable	Associates	<u><u>\$ 1,171</u></u>	<u><u>\$ 1,546</u></u>

The outstanding accounts payable from related parties are unsecured.

- e. Acquire property, plant and equipment

<b>Acquisition Prices</b>	
<b>For the Year Ended December 31</b>	
<b>2015</b>	<b>2014</b>

Other related parties	\$ <u>-</u>	\$ <u>193,240</u>
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- f. Other transactions with related parties

<b>Operating Expenses</b>	
<b>For the Year Ended December 31</b>	
<b>2015</b>	<b>2014</b>

Rental expenses		
Other related parties	\$ <u>-</u>	\$ <u>4,405</u>

<b>Other Income</b>	
<b>For the Year Ended December 31</b>	
<b>2015</b>	<b>2014</b>

Rental income		
Other related parties	\$ <u>50</u>	\$ <u>-</u>

Other		
Associates	\$ 2,712	\$ 2,762
Other related parties	<u>787</u>	<u>502</u>
	\$ <u>3,499</u>	\$ <u>3,264</u>

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

- g. Compensation of key management personnel

<b>For the Year Ended December 31</b>	
<b>2015</b>	<b>2014</b>

Short-term employee benefits	\$ 36,643	\$ 41,098
Post-employment benefits	116	109
Share-based payments	<u>26,188</u>	<u>11,063</u>
	\$ <u>62,947</u>	\$ <u>52,270</u>

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

As of December 31, 2014, as requested by suppliers, the Company pledged time deposits of \$18,650 thousand for bank guarantees for the Company's purchases.

### 31. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2015 were as follows.

#### Significant Commitments

As of December 31, 2015 and 2014, the Company had a construction contract amounting to \$1,627,500 thousand for a newly constructed science park located in Linkou in Taoyuan City. The remaining payables were \$701,927 thousand and \$1,491,661 thousand, respectively.

### 32. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

To expand global brand marketing in industrial network communications, the Company made arrangements to acquire 100% equity in B+B SmartWorx Inc. from Graham Partners, for \$3,300,000 thousand (US\$99,850 thousand) in November 2015. The Company and its subsidiary ANA will invest jointly to obtain all interest in B+B SmartWorx, Inc. As of December 31, 2015, the Company had paid \$2,279,881 thousand, which was recognized as prepayments for investment. The transaction was scheduled for completion by January 2016.

On March 4, 2016 the Company's board of directors approved ATC (HK) to complete an arrangement with Yeh-Chiang Technology (Cayman) to acquire Yeh-Chiang Technology Kun Shan Co., Ltd. at an acquisition cost of RMB93,000 thousand (around \$480,000 thousand). The purpose of this acquisition was to arrange future product line, establish a machinery plant, and expand operations in China.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2015

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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 146,799	32.825 (USD:NTD)	\$ 4,818,677
RMB	328,441	4.9950 (RMB:NTD)	1,640,563
RMB	213,731	0.1522 (RMB:USD)	1,067,567
EUR	24,409	35.880 (EUR:NTD)	875,795
USD	5,064	6.5716 (USD:RMB)	<u>166,224</u>
			<u>\$ 8,568,826</u>
Nonmonetary items			
USD	3,763	32.825 (USD:NTD)	<u>\$ 123,296</u>

(Continued)

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

December 31, 2014

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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 134,791	31.650 (USD:NTD)	\$ 4,266,135
RMB	490,578	5.0920 (RMB:NTD)	2,498,023
RMB	270,388	0.1609 (RMB:USD)	1,376,807
EUR	17,712	38.470 (EUR:NTD)	<u>681,381</u>
			<u>\$ 8,822,346</u>
Nonmonetary items			
USD	2,012	31.650 (USD:NTD)	<u>64,654</u>
<u>Financial liabilities</u>			
Monetary items			
USD	80,059	31.650 (USD:NTD)	\$ 2,533,867
RMB	262,127	5.0920 (RMB:NTD)	1,334,751
USD	35,997	6.2156 (USD:RMB)	1,139,304
RMB	114,709	0.1609 (RMB:USD)	<u>584,098</u>
			<u>\$ 5,592,020</u>

For the years ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains (losses) were \$(186,889) thousand and \$78,206 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 on significant transactions and b. information on investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (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 28)
- 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, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, their prices, and payment terms, and unrealized gains or losses. (Table 5)

### 35. SEGMENT INFORMATION

Segment information is provided to the Group's chief operating decision maker for allocating resources to the segments and assessing their performance. The information focuses on every type of products sold or services provided. The Groups segment information disclosed is as follows:

- Industrial internet of thing services: Focus on industry-driven services;
- Embedded board and design-in services: Services involving embedded boards, systems and peripheral hardware and software;

- Smart city solution services: Referring to integrated intelligent applications that can be used in various areas;
- Global customer services: Global repair, technical support and warranty services.

a. Segment revenues and results

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

	<b>Industrial Internet of Thing Services</b>	<b>Embedded Boards and Design-in Services</b>	<b>Smart City Solution Services</b>	<b>Global Customer Services</b>	<b>Total</b>
For the year ended <u>December 31, 2015</u>					
Revenues from external customers	\$ 11,338,475	\$ 15,202,919	\$ 6,903,032	\$ 4,556,156	\$ 38,000,582
Inter-segment revenues	-	5,689	-	-	5,689
Segment revenues	<u>\$ 11,338,475</u>	<u>\$ 15,208,608</u>	<u>\$ 6,903,032</u>	<u>\$ 4,556,156</u>	38,006,271
Eliminations					(5,689)
Consolidated revenues					<u>38,000,582</u>
Segment income	<u>\$ 2,579,111</u>	<u>\$ 2,547,943</u>	<u>\$ 765,703</u>	<u>\$ 1,095,218</u>	6,987,975
Other revenues					121,329
Central administration costs and directors' salaries					(1,059,468)
Other income					139,514
Finance costs					(10,041)
Share of profits of associates					<u>110,226</u>
Profit before tax					<u>\$ 6,289,535</u>
For the year ended <u>December 31, 2014</u>					
Revenues from external customers	\$ 10,622,477	\$ 14,591,647	\$ 6,476,566	\$ 4,041,009	\$ 35,731,699
Inter-segment revenues	-	(97,621)	-	-	(97,621)
Segment revenues	<u>\$ 10,622,477</u>	<u>\$ 14,494,026</u>	<u>\$ 6,476,566</u>	<u>\$ 4,041,009</u>	35,634,078
Eliminations					97,621
Consolidated revenues					<u>35,731,699</u>
Segment income	<u>\$ 2,608,983</u>	<u>\$ 2,392,477</u>	<u>\$ 783,319</u>	<u>\$ 902,725</u>	6,687,504
Other revenues					91,185
Central administration costs and directors' salaries					(1,179,180)
Other income and expense					369,592
Finance costs					(14,420)
Share of profits of associates					<u>100,264</u>
Profit before tax					<u>\$ 6,054,945</u>

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



b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Embedded boards and Chassis	\$ 15,474,001	\$ 14,244,476
Industrial computer	8,762,095	8,636,097
Industrial control	5,619,222	5,387,036
Industry-applied computer	3,696,050	3,422,835
After-sales service and others	<u>4,449,214</u>	<u>4,041,225</u>
	<u><u>\$ 38,000,582</u></u>	<u><u>\$ 35,731,699</u></u>

c. Geographical information

The Group's revenues from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Taiwan	\$ 3,394,536	\$ 3,225,417	\$ 7,462,380	\$ 6,582,733
Asia	15,143,076	14,549,817	2,702,187	2,879,254
USA	10,973,966	10,446,732	419,584	407,996
Europe	6,454,993	5,698,779	584,908	645,096
Others	<u>2,034,011</u>	<u>1,810,954</u>	<u>876</u>	<u>1,209</u>
	<u><u>\$ 38,000,582</u></u>	<u><u>\$ 35,731,699</u></u>	<u><u>\$ 11,169,935</u></u>	<u><u>\$ 10,516,288</u></u>

Non-current assets exclude financial instruments and deferred tax assets.

d. Information about major customers

No customers contributed 10% or more to the Group's revenue for both 2015 and 2014.

**TABLE 1**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	AEUH	AEU	Accounts receivable - related parties	Yes	\$ 26,910 (EUR 750 thousand)	\$ 26,910 (EUR 750 thousand)	\$ -	4.00	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 2,330,750 (Note C)	\$ 4,661,500 (Note C)
2	ANA	AKMC	Accounts receivable - related parties	Yes	134,583 (US\$ 4,100 thousand)	134,583 (US\$ 4,100 thousand)	-	2.00	Short-term financing	-	Financing need	-	None	None	2,330,750 (Note C)	4,661,500 (Note C)
3	Better Auto Holdings Limited (Better Auto)	Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	22,577 (RMB 4,520 thousand)	22,577 (RMB 4,520 thousand)	22,577 (RMB 4,520 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,330,750 (Note C)	4,661,500 (Note C)
		Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	16,413 (US\$ 500 thousand)	16,413 (US\$ 500 thousand)	16,413 (US\$ 500 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,330,750 (Note C)	4,661,500 (Note C)
4	Advantech Corporate Investment	AdvanPOS	Accounts receivable - related parties	Yes	100,000	-	-	1.15	Short-term financing	-	Financing need	-	None	None	2,330,750 (Note C)	4,661,500 (Note C)
		The Company	Accounts receivable - related parties	Yes	500,000	500,000	-	1.00	Short-term financing	-	Financing need	-	None	None	2,330,750 (Note C)	4,661,500 (Note C)
5	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	14,985 (RMB 3,000 thousand)	14,985 (RMB 3,000 thousand)	-	-	Short-term financing	-	Financing need	-	None	None	2,330,750 (Note C)	4,661,500 (Note C)
6	ACA	The Company	Accounts receivable - related parties	Yes	100,000	100,000	-	1.00	Short-term financing	-	Financing need	-	None	None	2,330,750 (Note C)	4,661,500 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of December 31, 2015 were EUR1=NT\$35.88, US\$1=NT\$32.825 and RMB1=NT\$4.995.

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

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

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

**TABLE 2**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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	ACA Advansus Corp.	Subsidiary Subsidiary	\$ 2,330,750 2,330,750	\$ 126,000 131,300 (US\$ 4,000 thousand)	\$ - 131,300 (US\$ 4,000 thousand)	\$ - -	\$ - -	- 0.6	\$ 6,992,250 6,992,250	Y Y	N N	N N

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

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

Note C: The exchange rates as of December 31, 2015 was US\$1=NT\$32.825.

TABLE 3

## ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u> ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,239,461	\$ 1,425,133	0.71	\$ 1,425,133	Notes A and C
	Pegatron Corp.	-	"	3,540,570	254,921	0.14	254,921	Notes A and D
	Allied Circuit Co., Ltd.	-	"	1,200,000	20,760	2.41	20,760	Note A
Advantech Corporate Investment	<u>Stock</u> Allied Circuit Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,800,000	48,440	5.63	48,440	Note A
	Wistron NeWeb Corp.	-	"	129,900	11,392	0.04	11,392	Note A
	Senao Networks, Inc.	-	"	36,000	7,722	0.07	7,722	Note A
	NXP Semiconductors N.V.	-	"	5,350	14,795	-	14,795	Note A
	Honeywell International Inc.	-	"	3,365	11,440	-	11,440	Note A
	Google Inc. - Class A	-	"	733	18,720	-	18,720	Note A
	Linear Technology Corporation	-	"	9,704	13,528	-	13,528	Note A
	Skyworks Solutions Inc.	-	"	3,267	8,239	-	8,239	Note A
	Ambarella, Inc.	-	"	3,653	6,684	0.01	6,684	Note A
	Arm Holdings Plc	-	"	6,056	8,993	-	8,993	Note A
	Murata Manufacturing Co., Ltd.	-	"	2,000	9,593	-	9,593	Note A
	Avago Technologies Ltd.	-	"	1,034	4,927	-	4,927	Note A
	Softbank Corp.	-	"	2,700	4,525	-	4,525	Note A
	COBAN Research and Technologies, Inc.	-	Available for sale financial assets - noncurrent	600,000	33,257	6.85	33,257	-
	BroadTec System Inc.	-	"	150,000	1,500	7.50	1,500	-
	BiosenseTek Corp.	-	"	37,500	375	1.79	375	-
	Jaguar Technology	-	"	500,000	7,500	16.67	7,500	-
	Allied Circuit Co., Ltd.	-	"	240,000	4,152	0.48	4,152	Note A
	Phison Electronics Corporation	-	Available for sale financial assets - current	1,500,000	348,750	0.76	348,750	Note A
	Vanguard International Semiconductor Corp.	-	"	427,000	18,276	0.03	18,276	Note A
	Radiant Opto-Electronics Corporation	-	"	500,000	37,700	0.11	37,700	Note A
	Lelon Electronics Corporation	-	"	2,550,000	79,815	1.94	79,815	Note A

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Advansus Corp.	<u>Fund</u> Taishin 1699 Money Market	-	Available for sale financial assets - current	1,944,661	\$ 25,974	-	\$ 25,974	Note B
	Mega Diamond Money Market	-	"	20,343,352	256,292	-	256,292	Note B
	Franklin Templeton SinoAm First Fund	-	"	20,453,638	208,586	-	208,586	Note B
	<u>Fund</u> Jih Sun Money Market	-	"	19,537,275	285,664	-	285,664	Note B
	Mega Diamond Money Market	-	"	1,375,894	17,029	-	17,029	Note B
	<u>Fund</u> Mega Diamond Money Market	-	"	3,565,982	44,136	-	44,136	Note B
	<u>Fund</u> Franklin Templeton SinoAm First Fund	-	"	1,388,712	14,162	-	14,162	Note B
	Jill Sun Money Market	-	"	2,052,110	30,005	-	30,005	Note B
	<u>Fund</u> Mega Diamond Money Market	-	"	18,860,525	233,435	-	233,435	Note B
	<u>Fund</u> Mega Diamond Money Market	-	"	5,996,318	74,216	-	74,216	Note B
ALTC	Capital Money Market	-	"	816,016	13,002	-	13,002	Note B
	<u>Fund</u> Mega Diamond Money Market	-	"	242,411	3,000	-	3,000	Note B
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	"	420,935	6,707	-	6,707	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	"	3,708,709	59,094	-	59,094	Note B
Advantech iFactory Co., Ltd.	<u>Fund</u> Capital Money Market	-	"					

Note A: Market value was based on the closing price on December 31, 2015.

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2015.

Note C: The amount included \$1,128,800 thousand, the carrying value of 4,150,000 shares held in trust with CTBC Bank. Please refer to Note 8 of the financial statements for more information.

Note D: The amount included \$147,600 thousand, the carrying value of 2,050,000 shares held in trust with CTBC Bank. Please refer to Note 8 of the financial statements for more information.

(Concluded)

**TABLE 4**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note)		Disposal				Ending Balance (Note)	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> Capital Money Market	Available for sale financial assets - current	-	-	35,357,851	\$ 560,000	86,331,608	\$ 1,373,000	121,689,459	\$ 1,935,978	\$ 1,933,000	\$ 2,978	-	\$ -
	Mega Diamond Money Market	Available for sale financial assets - current	-	-	76,853,657	945,000	53,339,232	658,000	130,192,889	1,608,385	1,603,000	5,385	-	-
	CTBC Hwa-Win Money Market Fund	Available for sale financial assets - current	-	-	-	-	57,141,073	619,000	57,141,073	620,085	619,000	1,085	-	-
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	26,840,013	357,000	26,840,013	357,630	357,000	630	-	-
	Franklin Templeton SinoAm First Fund	Available for sale financial assets - current	-	-	-	-	66,725,118	678,000	66,725,118	678,870	678,000	870	-	-
	<u>Stock</u> Pegatron Corp.	Available for sale financial assets - noncurrent	-	-	7,814,570	281,325	-	-	4,274,000	341,504	153,864	187,640	3,540,570	127,461
Advansus Corp.	<u>Fund</u> Jih Sun Money Market	Available for sale financial assets - current	-	-	7,656,351	111,151	35,655,276	520,000	23,774,352	346,444	346,096	348	19,537,275	285,055
ACN	<u>Investment product</u> 90 days guaranteed-yield investment product denominated in RMB	Available for sale financial assets - current	-	-	-	549,450 (RMB 110,000)	-	449,550 (RMB 90,000)	-	1,012,816 (RMB 202,745)	999,000 (RMB 200,000)	13,816 (RMB 2,745)	-	-
AiSC	33 days guaranteed-yield investment product denominated in RMB	Available for sale financial assets - current	-	-	-	-	-	454,545 (RMB 91,000)	-	457,459 (RMB 91,579)	454,545 (RMB 91,000)	2,914 (RMB 579)	-	-

Note: The exchange rate as of December 31, 2015 was RMB1=NT\$4.995.

TABLE 5

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AAU	Subsidiary	Sale	\$ (211,356)	0.73	60-90 days	Contract price	No significant difference in terms for related parties	\$ 64,989	1.25	Note A
	ABR	Subsidiary	Sale	(105,031)	0.36	90 days after month-end	Contract price	No significant difference in terms for related parties	1,504	0.03	
	ACN	Subsidiary	Sale	(5,253,505)	18.12	45 days after month-end	Contract price	No significant difference in terms for related parties	1,223,356	23.62	
	A-DLoG	Subsidiary	Sale	(135,719)	0.47	30 days after invoice date	Contract price	No significant difference in terms for related parties	46,111	0.89	
	AEU	Subsidiary	Sale	(3,532,528)	12.18	30 days after month-end	Contract price	No significant difference in terms for related parties	982,086	18.96	
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Subsidiary	Sale	(618,949)	2.13	45 days after month-end	Contract price	No significant difference in terms for related parties	98,466	1.90	Note B
	AJP	Subsidiary	Sale	(508,049)	1.75	60-90 days	Contract price	No significant difference in terms for related parties	96,045	1.85	
	AKMC	Subsidiary	Sale	(1,396,273)	4.82	45 days after month-end	Contract price	No significant difference in terms for related parties	168,142	3.25	Note C
	AKR	Subsidiary	Sale	(801,727)	2.76	60 days after invoice date	Contract price	No significant difference in terms for related parties	36,464	0.70	
	ANA	Subsidiary	Sale	(8,255,607)	28.77	45 days after month-end	Contract price	No significant difference in terms for related parties	1,066,498	20.59	
	ASG	Subsidiary	Sale	(168,220)	0.58	60-90 days	Contract price	No significant difference in terms for related parties	26,056	0.50	
	Advansus Corp.	Subsidiary	Sale	(499,193)	1.72	60-90 days	Contract price	No significant difference in terms for related parties	55,944	1.08	
	ATC	Subsidiary	Purchase	9,629,246	46.39	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,403,404)	39.13	
	Advansus Corp.	Subsidiary	Purchase	3,636,577	17.52	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,053,185)	29.36	
	ACA	Subsidiary	Purchase	1,860,639	8.96	Usual trade terms	Contract price	No significant difference in terms for related parties	(195,485)	5.45	
ATC	The Company	Parent company	Sale	(9,629,246)	99.15	Usual trade terms	Contract price	No significant difference in terms for related parties	1,403,404	98.00	
Advansus Corp.	The Company	Parent company	Sale	(3,636,577)	49.70	Usual trade terms	Contract price	No significant difference in terms for related parties	1,053,185	64.56	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ACA	The Company	Parent company	Sale	\$ (1,860,639)	81.31	Usual trade terms	Contract price	No significant difference in terms for related parties	\$ 195,485	98.09	
AAU	The Company	Parent company	Purchase	211,356	83.10	60-90 days	Contract price	No significant difference in terms for related parties	(64,989)	88.17	
ABR	The Company	Parent company	Purchase	105,031	62.56	90 days after month-end	Contract price	No significant difference in terms for related parties	(1,504)	27.50	
ACN	The Company	Parent company	Purchase	5,253,505	76.85	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,223,356)	80.55	
A-DLoG	The Company	Parent company	Purchase	135,719	17.65	30 days after invoice date	Contract price	No significant difference in terms for related parties	(46,111)	54.47	
AEU	The Company	Parent company	Purchase	3,532,528	80.97	30 days after month-end	Contract price	No significant difference in terms for related parties	(982,086)	100.00	
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	The Company	Parent company	Purchase	618,949	54.65	45 days after month-end	Contract price	No significant difference in terms for related parties	(98,466)	63.63	
AJP	The Company	Parent company	Purchase	508,049	91.95	60-90 days	Contract price	No significant difference in terms for related parties	(96,045)	99.58	
AKMC	The Company	Parent company	Purchase	1,396,273	15.47	45 days after month-end	Contract price	No significant difference in terms for related parties	(168,142)	10.76	
AKR	The Company	Parent company	Purchase	801,727	73.01	60 days after invoice date	Contract price	No significant difference in terms for related parties	(36,464)	49.91	
ANA	The Company	Parent company	Purchase	8,255,607	90.30	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,066,498)	94.57	
ASG	The Company	Parent company	Purchase	168,220	70.56	60-90 days	Contract price	No significant difference in terms for related parties	(26,056)	66.74	
Advansus Corp.	The Company	Parent company	Purchase	499,193	7.55	60-90 days	Contract price	No significant difference in terms for related parties	(55,944)	5.48	
ACA	Advansus Corp.	Related enterprise	Sale	(319,742)	13.97	Usual trade terms	Contract price	No significant difference in terms for related parties	227	0.11	
ALNC	Dongguan Pou Yuen Digital Technology Co., Ltd.	Subsidiary	Sale	(173,704)	7.59	Usual trade terms	Contract price	No significant difference in terms for related parties	39,654	45.14	

(Continued)



Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AKMC	ACN	Related enterprise	Sale	\$ (282,163)	2.83	Usual trade terms	Contract price	No significant difference in terms for related parties	\$ 75,626	13.50	
	AiSC	Related enterprise	Sale	(226,745)	2.28	Usual trade terms	Contract price	No significant difference in terms for related parties	20,640	3.69	
	ATC	Parent company	Sale	(9,390,156)	94.32	Usual trade terms	Contract price	No significant difference in terms for related parties	457,038	81.60	
Advansus Corp.	AKMC	Related enterprise	Sale	(2,634,209)	36.00	Usual trade terms	Contract price	No significant difference in terms for related parties	447,522	27.43	
AiSC	AKMC	Related enterprise	Sale	(101,554)	1.39	Usual trade terms	Contract price	No significant difference in terms for related parties	19,019	6.16	
ACN	AiSC	Related enterprise	Sale	(100,010)	1.37	Usual trade terms	Contract price	No significant difference in terms for related parties	1,681	0.10	
Advansus Corp.	ACA	Related enterprise	Purchase	319,742	4.83	Usual trade terms	Contract price	No significant difference in terms for related parties	(227)	0.02	
Dongguan Pou Yuen Digital Technology Co., Ltd.	ALNC	Parent company	Purchase	173,704	83.56	Usual trade terms	Contract price	No significant difference in terms for related parties	(39,654)	47.29	
ACN	AKMC	Related enterprise	Purchase	282,163	4.13	Usual trade terms	Contract price	No significant difference in terms for related parties	(75,626)	4.98	
AiSC	AKMC	Related enterprise	Purchase	226,745	20.02	Usual trade terms	Contract price	No significant difference in terms for related parties	(20,640)	13.34	
ATC	AKMC	Parent company	Purchase	9,390,156	98.36	Usual trade terms	Contract price	No significant difference in terms for related parties	(457,038)	97.06	
AKMC	Advansus Corp.	Related enterprise	Purchase	2,634,209	29.19	Usual trade terms	Contract price	No significant difference in terms for related parties	(447,522)	28.65	
	AiSC	Related enterprise	Purchase	101,554	1.13	Usual trade terms	Contract price	No significant difference in terms for related parties	(19,019)	1.22	
AiSC	ACN	Related enterprise	Purchase	100,010	1.46	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,681)	1.09	

Note A: Unrealized gain for the year was \$6,076 thousand.

Note B: Realized gain for the year was \$3,563 thousand.

Note C: Realized gain for the year was \$1,469 thousand.

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

(Concluded)

**TABLE 6**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,223,356	3.99	\$ -	-	\$ 791,160	\$ -
	AEU	Subsidiary	985,806	4.04	-	-	417,295	-
	AKMC	Subsidiary	168,142	6.29	-	-	144,581	-
	ANA	Subsidiary	1,068,921	8.51	-	-	560,238	-
ATC	The Company	Parent company	1,403,404	6.25	-	-	1,197,763	-
ACA	The Company	Parent company	195,485	8.43	-	-	109,096	-
Advansus Corp.	The Company	Parent company	1,053,185	4.81	-	-	393,904	-
AKMC	ATC	Parent company	457,038	16.48	-	-	457,038	-
Advansus Corp.	AKMC	Related enterprise	447,522	5.71	-	-	196,432	-

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

**TABLE 7**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars/Foreign Currency, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2015	December 31, 2014	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	\$ 1,000,207	\$ 1,000,207	29,623,834	100.00	\$ 3,735,761	\$ 303,287	\$ 306,889	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	40,850,000	100.00	3,626,645	128,416	134,333	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	999,983	536,439	521,190	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	900,000	150,000,000	100.00	1,558,953	10,362	10,472	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.99	450,246	424,099	110,474	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	460,572	341,995	20,438,000	100.00	358,662	(9,938)	(8,252)	Subsidiary
	ALTC	Taichung, Taiwan	Production and sale of machine control solution	478,825	478,825	26,980,000	89.93	516,626	6,131	5,730	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	9,510	(1,161)	(332)	Equity-method investee
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	1,562	924	924	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,262,051	12,572,024	100.00	898,536	67,967	68,758	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	82,906	13,065	13,065	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	30,171	(6,648)	(6,648)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	179,407	31,380	31,380	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	36,439	7,277	7,277	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	202,503	17,462	17,462	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	48,320	10,126	8,101	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of industrial automation products	146,440	146,440	8,000,000	100.00	319,859	100,220	105,075	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	-	1,000,000	100.00	8,569	(1,441)	(1,441)	Subsidiary
	Advantech iFactory Co., Ltd.	Taipei, Taiwan	Cybernation equipment construction	60,000	-	6,000,000	100.00	60,088	(6)	(6)	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	13,479	20,540	20,540	Subsidiary
Advantech Corporate Investment	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	142,063	142,063	10,000,000	100.00	196,152	24,092	24,092	Subsidiary
	Cermate Technologies Inc.	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	121,042	35,311	19,531	Subsidiary
	Deneng Scientific Research Co., Ltd.	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	18,228	212	84	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	2,683,857	203,353	209,271	Subsidiary
AAC (BVI)	ANA	Sunny vale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,101,666	147,648	148,385	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,826,597	155,698	158,562	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	11,314,280	100.00	913,908	67,256	68,048	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	23,403	1,078	1,078	Subsidiary
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	560,527	32,551	21,774	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	15,968	9,358	4,773	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	4,356	2,524	2,524	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	74,923	15,152	15,262	Subsidiary
ALTC	Better Auto	BVI	General investment	264,445	264,445	8,556,096	100.00	106,456	(49,267)	(48,722)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	68,034	(42,589)	(42,589)	Subsidiary
AdvanPOS	Bright Mind Limited	Samoa	General investment	US\$ 200	US\$ 200	200	100.00	(571)	(496)	(1,096)	Subsidiary

(Continued)

Note A: The financial statements used as basis of net asset values had been audited by independent CPAs, except those of AIN, AMX, Advantech Innovative Design Co., Ltd. and Advantech iFactory Co., Ltd.

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 YEAR ENDED DECEMBER 31, 2015  
(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, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note F)	Indirect	\$ 1,224,373 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,224,373 (US\$ 37,300 thousand)	\$ 203,353	100	\$ 203,458	\$ 2,678,044	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	175,023 (US\$ 5,332 thousand)	-	-	175,023 (US\$ 5,332 thousand)	132,777	100	133,216	1,008,347	368,690 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sale of industrial automation products	US\$ 8,000 thousand	Indirect	262,600 (US\$ 8,000 thousand)	-	-	262,600 (US\$ 8,000 thousand)	23,659	100	26,085	773,904	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	871	100	871	42,783	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	524	60	314	13,711	-

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,668,560 (US\$50,832 thousand) (Note E)	\$2,333,858 (US\$71,100 thousand)	\$14,072,266 (Note H)

Note A: The financial statements used as basis of asset values had been audited.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Tables 5.

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

(Continued)

Note D: Remittance by ACN.

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

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

Note G: The exchange rate was US\$1=NT\$32.825.

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

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

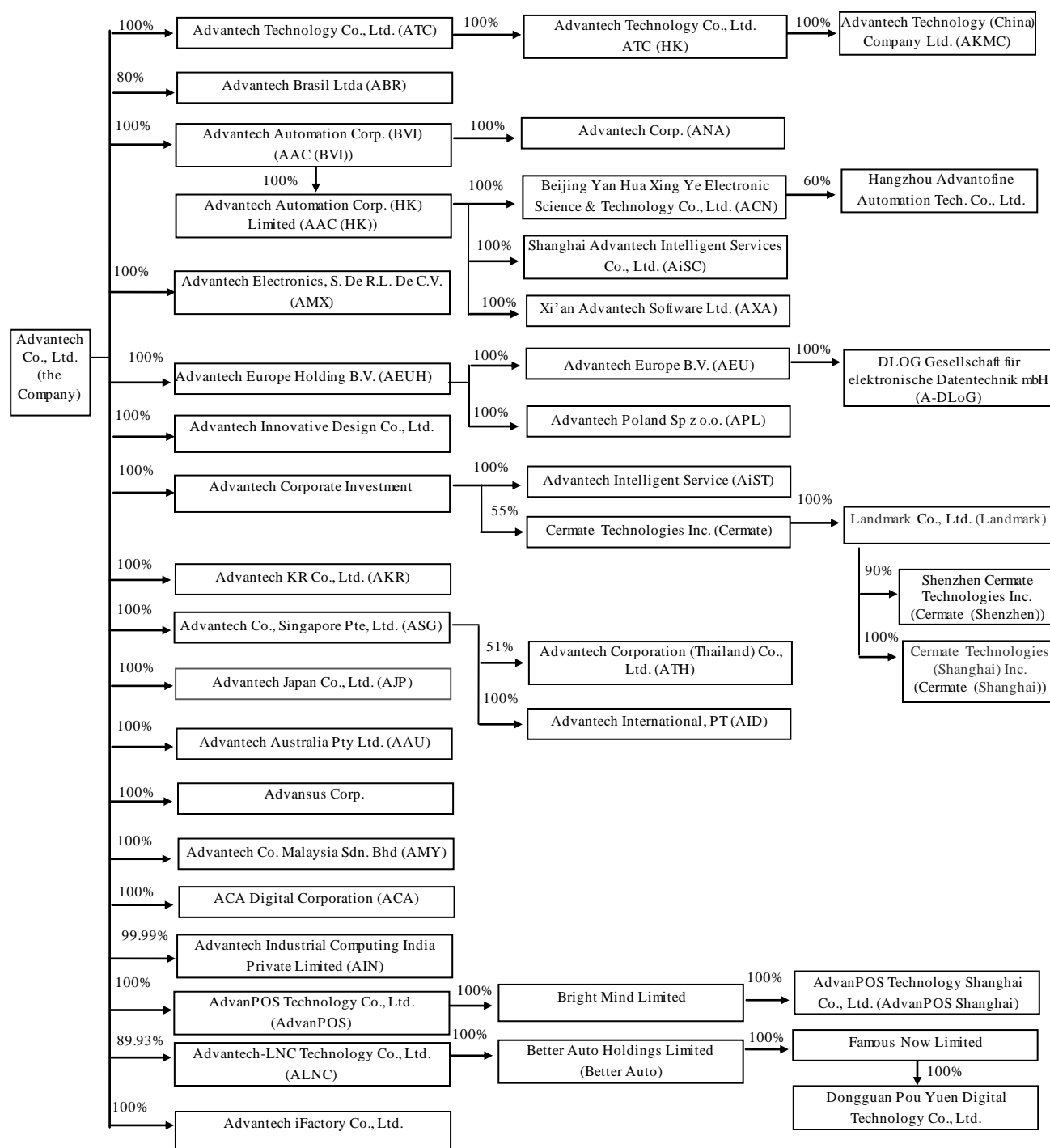
(Concluded)

TABLE 9

## ADVANTECH CO., LTD. AND SUBSIDIARIES

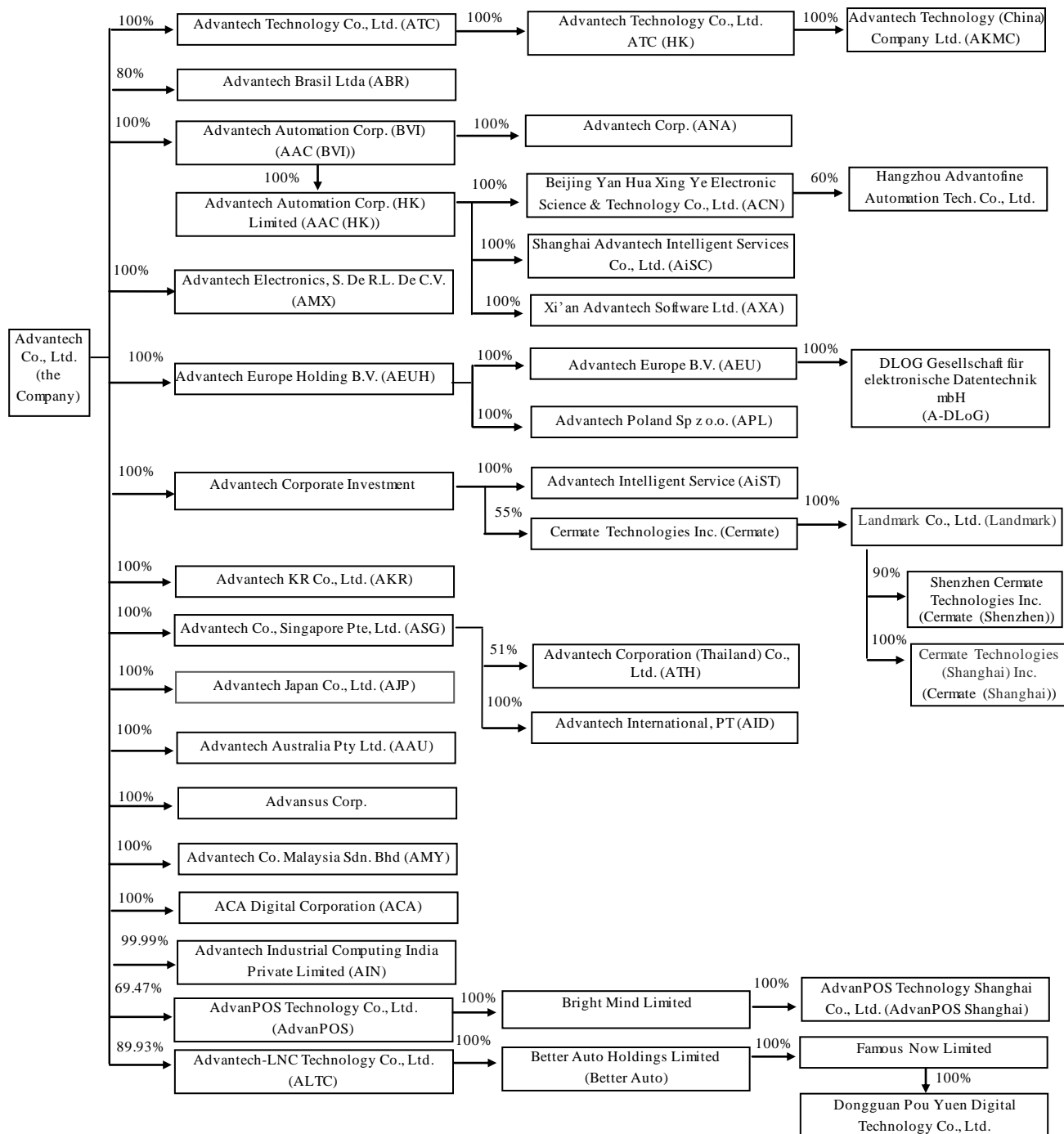
ORGANIZATION CHART  
DECEMBER 31, 2015 AND 2014

Intercompany relationships and percentages of ownership as of December 31, 2015 are shown below:



(Continued)

Intercompany relationships and percentages of ownership as of December 31, 2014 are shown below:



(Concluded)



TABLE 10

## ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	The Company	AAC (HK)	1	Other receivables from related parties	\$ 25	45 days EOM	-
		AAU	1	Other revenue	9,340	Normal	-
		AAU	1	Other receivables from related parties	2,808	60-90 days	-
		AAU	1	Receivables from related parties	64,989	60-90 days	-
		AAU	1	Sales revenue	211,356	Normal	1
		ABR	1	Other revenue	4,061	Normal	-
		ABR	1	Other receivables from related parties	469	90 days EOM	-
		ABR	1	Receivables from related parties	1,504	90 days EOM	-
		ABR	1	Sales revenue	105,031	Normal	-
		ACN	1	Receivables from related parties	1,223,356	45 days EOM	4
		ACN	1	Sales revenue	5,253,505	Normal	14
		A-DLoG	1	Other revenue	5,370	Normal	-
		A-DLoG	1	Other receivables from related parties	1,067	30 days after invoice date	-
		A-DLoG	1	Receivables from related parties	46,111	30 days after invoice date	-
		A-DLoG	1	Sales revenue	135,719	Normal	-
		AEU	1	Sales revenue	3,532,528	Normal	9
		AEU	1	Other revenue	18,691	Normal	-
		AEU	1	Other receivables from related parties	3,721	30 days EOM	-
		AEU	1	Receivables from related parties	821,737	30 days EOM	2
		AID	1	Other receivables from related parties	3	45 days after invoice date	-
		AID	1	Receivables from related parties	1,776	45 days after invoice date	-
		AID	1	Sales revenue	6,902	Normal	-
		AIN	1	Sales revenue	9,046	Normal	-
		AIN	1	Other receivables from related parties	606	60 days EOM	-
		AIN	1	Receivables from related parties	22,943	60 days EOM	-
		AIN	1	Other revenue	26	Normal	-
		AISC	1	Other receivables from related parties	308	45 days EOM	-
		AISC	1	Receivables from related parties	98,466	45 days EOM	-
		AISC	1	Sales revenue	618,949	Normal	2
		AJP	1	Other revenue	4,759	Normal	-
		AJP	1	Other receivables from related parties	768	60-90 days	-
		AJP	1	Receivables from related parties	96,045	60-90 days	-
		AJP	1	Sales revenue	508,049	Normal	1
		AKMC	1	Receivables from related parties	168,142	45 days EOM	-
		AKMC	1	Sales revenue	1,396,273	Normal	4

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKR	1	Other revenue	\$ 5,991	Normal	-
		AKR	1	Other receivables from related parties	618	60 days after invoice date	-
		AKR	1	Receivables from related parties	36,464	60 days after invoice date	-
		AKR	1	Sales revenue	801,727	Normal	2
		AMX	1	Sales revenue	5,256	Normal	-
		AMY	1	Other revenue	3,106	Normal	-
		AMY	1	Other receivables from related parties	542	45 days EOM	-
		AMY	1	Receivables from related parties	12,266	45 days EOM	-
		AMY	1	Sales revenue	98,437	Normal	-
		ANA	1	Other revenue	25,908	Normal	-
		ANA	1	Other receivables from related parties	2,423	45 days EOM	-
		ANA	1	Receivables from related parties	1,066,498	45 days EOM	3
		ANA	1	Sales revenue	8,255,607	Normal	22
		APL	1	Receivables from related parties	8,722	45 days EOM	-
		APL	1	Other receivables from related parties	103	45 days EOM	-
		APL	1	Sales revenue	13,310	Normal	-
		ASG	1	Other revenue	3,775	Normal	-
		ASG	1	Other receivables from related parties	723	60-90 days	-
		ASG	1	Receivables from related parties	26,056	60-90 days	-
		ASG	1	Sales revenue	168,220	Normal	-
		ATH	1	Other revenue	3,137	Normal	-
		ATH	1	Other receivables from related parties	557	30 days after invoice date	-
		ATH	1	Receivables from related parties	15,507	30 days after invoice date	-
		ATH	1	Sales revenue	73,482	Normal	-
		Cermate	1	Sales revenue	1,346	Normal	-
		Cermate	1	Other revenue	1,200	Normal	-
		ACA	1	Other receivables from related parties	441	30 days EOM	-
		ACA	1	Other revenue	5,040	Normal	-
		Advantech Corporate Investment	1	Rental revenue	36	Normal	-
		Advantech Innovative Design Co., Ltd.	1	Other receivables from related parties	26	60 days EOM	-
		AiST	1	Receivables from related parties	4,939	30 days EOM	-
		AiST	1	Sales revenue	67,117	Normal	-
		AiST	1	Other revenue	1,200	Normal	-
		ALNC	1	Other revenue	1,200	Normal	-
		ALNC	1	Sales revenue	500	Normal	-
		ALNC	1	Other receivables from related parties	383	60-90 days EOM	-
		ALNC	1	Receivables from related parties	90	60-90 days EOM	-
		Advansus Corp.	1	Rental revenue	6,380	Normal	-
		Advansus Corp.	1	Other receivables from related parties	4	60-90 days	-
		Advansus Corp.	1	Receivables from related parties	55,944	60-90 days	-
		Advansus Corp.	1	Sales revenue	499,193	Normal	1
		AdvanPOS	1	Sales revenue	93,903	Normal	-
		AdvanPOS	1	Receivables from related parties	29,611	60 days EOM	-
1	AAC (HK)	The Company	2	Receivables from related parties	788	45 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
2	AAU	AEU	3	Sales revenue	\$ 23	Normal	-
		AKMC	3	Sales revenue	1,006	Normal	-
		ANA	3	Sales revenue	2	Normal	-
		The Company	2	Receivables from related parties	641	60-90 days	-
		The Company	2	Sales revenue	21	Normal	-
3	ABR	The Company	2	Sales revenue	4	Normal	-
4	ACA	ACN	3	Sales revenue	15,250	Normal	-
		ACN	3	Receivables from related parties	2,492	60-90 days	-
		AKMC	3	Sales revenue	92,907	Normal	-
		AKMC	3	Other receivables from related parties	4	45 days EOM	-
		Advansus Corp.	3	Sales revenue	319,742	Normal	1
		Advansus Corp.	3	Receivables from related parties	227	45 days EOM	-
		The Company	2	Receivables from related parties	195,485	30 days EOM	1
		The Company	2	Sales revenue	1,860,639	Normal	5
5	ACN	ACA	3	Sales revenue	1,802	Normal	-
		AEU	3	Sales revenue	497	Normal	-
		AEU	3	Receivables from related parties	316	30 days EOM	-
		AiSC	3	Other receivables from related parties	13	30 days EOM	-
		AiSC	3	Sales revenue	100,010	Normal	-
		AiSC	3	Receivables from related parties	24,659	Immediate payment	-
		AKMC	3	Sales revenue	16,778	Normal	-
		AKMC	3	Receivables from related parties	3,666	60-90 days	-
		AKR	3	Sales revenue	17	Normal	-
		AKR	3	Receivables from related parties	1	45 days EOM	-
		ANA	3	Sales revenue	432	Normal	-
		ANA	3	Receivables from related parties	242	30 days EOM	-
		ASG	3	Sales revenue	9	Normal	-
		ASG	3	Receivables from related parties	11	Immediate payment	-
		AXA	3	Other receivables from related parties	78	60 days EOM	-
		The Company	2	Receivables from related parties	301	30 days EOM	-
		The Company	2	Sales revenue	868	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales revenue	36,063	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Receivables from related parties	14,250	60 days after invoice date	-
6	A-DLoG	AAU	3	Sales revenue	1,118	Normal	-
		AEU	3	Sales revenue	1,495	Normal	-
		AEU	3	Receivables from related parties	1	30 days upon delivery	-
		AKR	3	Receivables from related parties	184	60 days EOM	-
		AKR	3	Sales revenue	204	Normal	-
		ANA	3	Sales revenue	23,519	Normal	-
		ANA	3	Receivables from related parties	23,769	30 days EOM	-
		The Company	2	Receivables from related parties	5,077	30 days after invoice date	-
		The Company	2	Sales revenue	49,582	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
7	AEU	AAU	3	Sales revenue	\$ 145	Normal	-
		ACN	3	Receivables from related parties	370	30 days after invoice date	-
		A-DLoG	3	Sales revenue	19,965	Normal	-
		A-DLoG	3	Receivables from related parties	2,967	30 days upon delivery	-
		AKMC	3	Receivables from related parties	494	30 days EOM	-
		AKR	3	Sales revenue	154	Normal	-
		AMY	3	Sales revenue	35	Normal	-
		AMY	3	Receivables from related parties	4	30 days after invoice date	-
		ANA	3	Sales revenue	37,615	Normal	-
		ANA	3	Receivables from related parties	378	30 days after invoice date	-
		APL	3	Commission revenue	7,259	Normal	-
		APL	3	Sales revenue	51,757	Normal	-
		ATC	3	Receivables from related parties	6,181	30 days after invoice date	-
		The Company	2	Receivables from related parties	3,373	30 days EOM	-
		The Company	2	Sales revenue	7,838	Normal	-
8	AID	AMY	3	Other revenue	16	Normal	-
		ASG	3	Sales revenue	46	Normal	-
		ASG	3	Other revenue	71	Normal	-
		ATH	3	Other revenue	16	Normal	-
		The Company	2	Receivables from related parties	24	60 days EOM	-
9	AIN	AEU	3	Sales revenue	1,103	Normal	-
		The Company	2	Receivables from related parties	53	60 days EOM	-
10	AiSC	AAC (HK)	3	Other receivables from related parties	8,984	90 days	-
		ACN	3	Other receivables from related parties	26,571	Immediate payment	-
		ACN	3	Receivables from related parties	1,681	Immediate payment	-
		ACN	3	Sales revenue	17,538	Normal	-
		ACN	3	Other revenue	6,262	Normal	-
		AEU	3	Sales revenue	4	Normal	-
		AKMC	3	Receivables from related parties	19,019	30 days EOM	-
		AKMC	3	Sales revenue	101,554	Normal	-
		AKR	3	Sales revenue	22	Normal	-
		ASG	3	Sales revenue	110	Normal	-
		The Company	2	Receivables from related parties	16	45 days EOM	-
		The Company	2	Sales revenue	700	Normal	-
11	AJP	AKMC	3	Other receivables from related parties	318	45 days EOM	-
		ANA	3	Sales revenue	243	Normal	-
		ACN	3	Sales revenue	63	Normal	-
		The Company	2	Receivables from related parties	1,530	60-90 days	-
		The Company	2	Sales revenue	313	Normal	-
12	AKMC	ACA	3	Sales revenue	1,435	Normal	-
		ACN	3	Rental revenue	4,504	Normal	-
		ACN	3	Receivables from related parties	75,626	60-90 days	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ACN	3	Other receivables from related parties	\$ 889	60-90 days	-
		ACN	3	Sales revenue	282,163	Normal	1
		AEU	3	Receivables from related parties	330	30 days after invoice date	-
		AEU	3	Sales revenue	997	Normal	-
		AiSC	3	Sales revenue	226,745	Normal	1
		AiSC	3	Receivables from related parties	20,640	Immediate payment	-
		AKR	3	Sales revenue	32	Normal	-
		ANA	3	Receivables from related parties	119	60-90 days	-
		ANA	3	Sales revenue	1,611	Normal	-
		ATC	3	Sales revenue	9,390,156	Normal	28
		ATC	3	Receivables from related parties	457,038	60-90 days	1
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales revenue	1	Normal	-
		ALNC	3	Sales revenue	21	Normal	-
		Advansus Corp.	3	Receivables from related parties	295	Immediate payment	-
		Advansus Corp.	3	Sales revenue	6,152	Normal	-
		AdvanPOS	3	Sales revenue	4,705	Normal	-
13	AKR	A-DLoG	3	Sales revenue	484	Normal	-
		ANA	3	Sales revenue	97	45 days after invoice date	-
		The Company	2	Receivables from related parties	4,333	90 days EOM	-
		The Company	2	Sales revenue	9	Normal	-
14	AMY	AID	3	Other revenue	11	Normal	-
		ASG	3	Other revenue	414	Normal	-
		ASG	3	Sales revenue	12	Normal	-
		ATH	3	Other revenue	26	Normal	-
		ATH	3	Sales revenue	339	Normal	-
15	ANA	AAU	3	Sales revenue	424	Normal	-
		ACN	3	Sales revenue	96	Normal	-
		AEU	3	Sales revenue	44,243	Normal	-
		AEU	3	Receivables from related parties	18,275	60-90 days	-
		AJP	3	Sales revenue	25	Normal	-
		AJP	3	Receivables from related parties	2	30 days after invoice date	-
		AKMC	3	Receivables from related parties	1,013	30 days EOM	-
		AKMC	3	Interest revenue	1,196	Normal	-
		AKMC	3	Sales revenue	15,062	Normal	-
		AKR	3	Sales revenue	157	Normal	-
		ATC	3	Sales revenue	16,159	Normal	-
		AUK	3	Royalty revenue	2,470	Normal	-
		The Company	2	Receivables from related parties	3,938	45 days EOM	-
		The Company	2	Sales revenue	27,203	Normal	-
		ACA	3	Sales revenue	74,157	Normal	-
		ACA	3	Receivables from related parties	6,145	60 days EOM	-
		Advansus Corp.	3	Sales revenue	41,611	Normal	-
		Advansus Corp.	3	Receivables from related parties	6,376	90 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
16	APL	AEU	3	Receivables from related parties	\$ 6,249	30 days after invoice date	-
		The Company	2	Receivables from related parties	253	30 days after invoice date	-
		The Company	2	Sales revenue	23	Normal	-
17	ASG	AAU	3	Receivables from related parties	7	45 days after invoice date	-
		AID	3	Sales revenue	746	Normal	-
		AID	3	Receivables from related parties	325	30 days upon delivery	-
		AMY	3	Sales revenue	4,304	Normal	-
		ATH	3	Sales revenue	4,156	Normal	-
		ATH	3	Receivables from related parties	3,339	30 days EOM	-
		The Company	2	Sales revenue	2	Normal	-
		The Company	2	Other revenue	21,804	Normal	-
18	ATC	AKMC	3	Sales revenue	82,509	Normal	-
		AKMC	3	Receivables from related parties	11,851	60-90 days	-
		The Company	2	Receivables from related parties	1,403,404	60 days EOM	4
		The Company	2	Sales revenue	9,629,246	Normal	28
19	ATH	AMY	3	Sales revenue	43	Normal	-
		The Company	2	Receivables from related parties	66	Normal	-
20	Dongguan Pou Yuen Digital Technology Co., Ltd.	ACN	3	Sales revenue	2,780	Normal	-
		ACN	3	Receivables from related parties	803	90 days EOM	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales revenue	578	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Receivables from related parties	543	90 days EOM	-
		ALNC	3	Sales revenue	1,611	Normal	-
		ALNC	3	Receivables from related parties	224	90 days EOM	-
21	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	2,144	Normal	-
22	Cermate	AKMC	3	Sales revenue	49	Normal	-
		AKMC	3	Receivables from related parties	52	60 days EOM	-
		The Company	2	Receivables from related parties	513	30-60 days	-
		The Company	2	Sales revenue	4,498	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	72,631	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	7,616	30 days EOM	-
23	Advantech Corporate Investment	AdvanPOS	3	Other revenue	177	Normal	-
24	Advantech Innovative Design Co., Ltd.	The Company	2	Receivables from related parties	2,908	30 days EOM	-
		The Company	2	Sales revenue	2,222	Normal	-
		The Company	2	Other revenue	1,448	Normal	-
25	AiST	ACN	3	Sales revenue	91	Normal	-
		The Company	2	Receivables from related parties	250	60 days EOM	-
		The Company	2	Sales revenue	453	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B and D)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
26	ALNC	The Company	2	Receivables from related parties	\$ 265	60 days EOM	-
		The Company	2	Rental revenue	1,518	Normal	-
		The Company	2	Sales revenue	6,519	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	3	Sales revenue	173,704	Normal	1
		Dongguan Pou Yuen Digital Technology Co., Ltd.	3	Receivables from related parties	39,654	90 days EOM	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	3	Advanced receipts	92	Normal	-
		Better Auto	3	Royalty revenue	92	Normal	-
27	Advansus Corp.	ACN	3	Sales revenue	6,644	Normal	-
		AKMC	3	Sales revenue	2,634,209	Normal	8
		AKMC	3	Receivables from related parties	447,522	60-90 days	1
		AKR	3	Sales revenue	23,331	Normal	-
		ANA	3	Sales revenue	29	Normal	-
		The Company	2	Receivables from related parties	1,053,185	60-90 days	3
		The Company	2	Sales revenue	3,636,577	Normal	11
		The Company	2	Other revenue	2,391	Normal	-
		Cermate	3	Receivables from related parties	634	30 days EOM	-
		Cermate	3	Sales revenue	1,354	Normal	-
		ACA	3	Sales revenue	54,392	Normal	-
		AdvanPOS	3	Sales revenue	545	Normal	-
28	Cermate (Shenzhen)	ACN	3	Sales revenue	16	Normal	-
		ACN	3	Receivables from related parties	5	Immediate payment	-
		AKMC	3	Sales revenue	49,141	Normal	-
		AKMC	3	Receivables from related parties	4,810	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	27,260	Normal	-
		Cermate	3	Sales revenue	16,219	Normal	-
		Cermate	3	Receivables from related parties	2,687	60 days EOM	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales revenue	25	Normal	-
29	AdvanPOS	AEU	3	Sales revenue	22	Normal	-
		AISC	3	Sales revenue	3,658	Normal	-
		AKMC	3	Sales revenue	32	Normal	-
		AMY	3	Sales revenue	20	Normal	-
		ATH	3	Sales revenue	348	Normal	-
		The Company	2	Receivables from related parties	2,879	60 days EOM	-
		The Company	2	Sales revenue	31,536	Normal	-
		The Company	2	Other revenue	902	Normal	-
		AIST	3	Sales revenue	57	Normal	-
30	AXA	ACN	3	Other receivables from related parties	803	30 days EOM	-
		ACN	3	Sales revenue	88,565	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”.

(Continued)

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 December 31, 2015, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2015.

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

(Concluded)