Advantech Co., Ltd.

Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Advantech Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the financial statements for the year ended December 31, 2016 were as follows:

<u>Investments accounted for using the equity method</u>

The Company and its subsidiaries acquired 100% share of B+B SmartWorx, Inc. (B+B) for NT$3,296,048 thousand in January 4, 2016 and recognized the acquisition as investment accounted for using the equity method.

The evaluation on fair value of the assets, liabilities, and amount of goodwill as of the date of acquisition was based on the specialists' Purchase Price Allocation Report that involved several financial assumptions and inputs. The judgment of related accounting estimates will affect the presentation of accounts on the financial statements. After considering that the acquisition was a significant event and was transacted during the period of financial statements with a material impact on the financial statements, accuracy of merger transaction of B+B conducted by the Company was deemed to be a key audit matter.

Our key audit procedures performed in respect of the assets and liabilities as of the date of acquisition included the following:

1. Tested the acquisition balance sheet prepared by the management and checked the record by matching against the fair value of the assets and liabilities as of the date of acquisition.

2. Recalculated the value of goodwill recognized in the acquisition balance sheet.

<u>Impairment assessment of investments accounted for using the equity method</u>

The excess of cost of acquisition of investments accounted for using the equity method over the fair value of investees' identifiable assets and liability as of the dates of acquisition should be recognized as goodwill. If there is any indication that goodwill is impaired, the management should assess if the carrying amount of goodwill is impaired. We have expressed our concerns on the related risks of impairment assessment on goodwill arising from acquisition of B+B since the impairment assessment of goodwill is based on the management's significant judgment that involved assumptions of the future profitability and costs of equity and debts; the impairment of goodwill is hence recognized as a critical accounting estimate in Note 5 to the financial statements.

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

When evaluating the impairment assessment, we tested the management's assumptions and inputs used for testing the impairment for goodwill, including cash flow projections and discount rates.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Meng-Chieh Chiu and Chin-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2017

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

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,008,247	6	$ 815,293	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 25)	34,348	-	7,391	-
Available-for-sale financial assets - current (Notes 4, 8 and 25)	700,269	2	-	-
Notes receivable (Notes 4, 9 and 26)	67,223	-	55,480	-
Trade receivables (Notes 4 and 9)	1,543,604	5	1,135,240	4
Trade receivables from related parties (Notes 4 and 26)	3,908,448	11	3,977,999	13
Other receivables	105,929	-	113,056	-
Other receivables from related parties (Note 26)	19,002	-	15,596	-
Inventories (Notes 4 and 10)	1,935,873	6	1,673,156	5
Other current assets	38,361	-	60,318	-
Total current assets	10,361,304	30	7,853,529	25
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 25)	1,694,801	5	1,700,814	6
Investments accounted for using the equity method (Notes 4 and 11)	15,208,839	44	13,138,225	42
Property, plant and equipment (Notes 4 and 12)	6,938,084	20	6,278,109	20
Goodwill (Notes 4 and 13)	111,599	-	111,599	-
Other intangible assets (Note 4)	78,321	-	74,049	-
Deferred tax assets (Notes 4 and 18)	136,130	1	114,710	1
Prepayments for business facilities	22,676	-	15,489	-
Prepayment for investments	-	-	1,968,044	6
Other noncurrent assets	5,661	-	10,837	-
Total noncurrent assets	24,196,111	70	23,411,876	75
TOTAL	$ 34,557,415	100	$ 31,265,405	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 25)	$ 8,845	-	$ 6,352	-
Trade payables	1,550,969	4	899,480	3
Trade payables to related parties (Note 26)	2,610,642	8	2,687,130	9
Other payables (Notes 14 and 17)	2,699,374	8	2,255,915	7
Current tax liabilities (Notes 4 and 18)	1,036,650	3	853,769	3
Short-term warranty provision (Note 4)	49,155	-	41,410	-
Other current liabilities	153,992	-	72,312	-
Total current liabilities	8,109,627	23	6,816,368	22
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	988,099	3	927,732	3
Net defined benefit liabilities (Notes 4, 15 and 17)	211,170	1	182,172	-
Other noncurrent liabilities	34,937	-	31,632	-
Total noncurrent liabilities	1,234,206	4	1,141,536	3
Total liabilities	9,343,833	27	7,957,904	25
EQUITY				
Share capital				
Ordinary shares	6,330,741	18	6,318,531	20
Advance receipts for share capital	100	-	-	-
Total share capital	6,330,841	18	6,318,531	20
Capital surplus	6,058,884	18	5,587,555	18
Retained earnings				
Legal reserve	4,473,276	13	3,962,842	13
Unappropriated earnings	8,435,785	24	7,098,449	23
Total retained earnings	12,909,061	37	11,061,291	36
Other equity				
Exchange differences on translating foreign operations	(197,633)	-	271,859	1
Unrealized gains (losses) on available-for-sale financial assets	112,429	-	68,265	-
Total other equity	(85,204)	-	340,124	1
Total equity	25,213,582	73	23,307,501	75
TOTAL	$ 34,557,415	100	$ 31,265,405	100

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 26)				
Sales	$ 30,173,747	99	$ 28,673,906	99
Other operating revenue	327,352	1	321,746	1
Total operating revenue	30,501,099	100	28,995,652	100
OPERATING COSTS (Notes 10, 17 and 26)	21,604,247	70	20,758,574	72
GROSS PROFIT	8,896,852	30	8,237,078	28
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(264,679)	(1)	(330,254)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	330,254	1	240,811	1
REALIZED GROSS PROFIT	8,962,427	30	8,147,635	28
OPERATING EXPENSES (Notes 17 and 26)				
Selling and marketing expenses	659,619	2	704,299	3
General and administrative expenses	884,172	3	693,290	2
Research and development expenses	2,641,219	9	2,568,723	9
Total operating expenses	4,185,010	14	3,966,312	14
OPERATING PROFIT	4,777,417	16	4,181,323	14
NONOPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,581,818	5	1,344,991	5
Interest income (Note 4)	539	-	1,665	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	146,954	1	(161)	-
Gains on disposal of investments (Notes 4 and 16)	1,431	-	198,848	1
Foreign exchange losses, net (Notes 4, 17 and 28)	(140,689)	-	(88,859)	-
Gains on financial instruments at fair value through profit or loss (Note 4)	121,348	-	83,798	-
Dividend income (Note 4)	98,800	-	105,445	-
Other income (Notes 8 and 26)	101,777	-	112,567	-
Finance costs (Note 17)	(4,163)	-	-	-

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ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
Losses on financial instruments at fair value through profit or loss (Note 4)	$ (41,381)	-	$ (67,063)	-
Other losses	(155)	-	(53)	-
Total nonoperating income	1,866,279	6	1,691,178	6
PROFIT BEFORE INCOME TAX	6,643,696	22	5,872,501	20
INCOME TAX EXPENSE (Notes 4 and 18)	976,834	3	768,155	2
NET PROFIT FOR THE YEAR	5,666,862	19	5,104,346	18
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	(31,039)	-	(18,736)	-
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Note 11)	1,479	-	(2,683)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 18)	5,277	-	3,185	-
	(24,283)	-	(18,234)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 16)	(561,518)	(2)	(82,566)	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 16)	(5,765)	-	(557,594)	(2)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4, 11 and 16)	45,794	-	65,031	-
Income tax relating to item that may be reclassified subsequently to profit or loss (Notes 4, 16 and 18)	96,161	-	13,620	-
	(425,328)	(2)	(561,509)	(2)
Other comprehensive income (loss) for the year, net of income tax	(449,611)	(2)	(579,743)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,217,251	17	$ 4,524,603	16

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ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 19)				
Basic	$8.96		$8.08	
Diluted	$8.90		$8.05	

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

(With Deloitte & Touche audit report dated March 6, 2017) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Issued Capital (Notes 16 and 20)			Capital Surplus	Retained Earnings (Notes 4, 16 and 17)			Other Equity (Notes 4 and 16)		
	Share Capital	Advance Receipts for Share Capital	Total	Capital Surplus (Notes 4, 16 and 20)	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2015	$ 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
Appropriation of the 2014 earnings										
Legal reserve	-	-	-	-	490,778	(490,778)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(3,787,255)	(3,787,255)	-	-	(3,787,255)
Issue of ordinary shares under employee share options	17,500	(11,060)	6,440	24,438	-	-	-	-	-	30,878
Compensation cost recognized for employee share options	-	-	-	261,877	-	-	-	-	-	261,877
Change in capital surplus from investments in associates accounted for using equity method	-	-	-	2,172	-	-	-	-	-	2,172
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	(11,457)	-	(62,903)	(62,903)	-	-	(74,360)
Changes in percentage of ownership interest in subsidiaries	-	-	-	3,567	-	-	-	-	-	3,567
Net profit for the year ended December 31, 2015	-	-	-	-	-	5,104,346	5,104,346	-	-	5,104,346
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(18,234)	(18,234)	(66,497)	(495,012)	(579,743)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	5,086,112	5,086,112	(66,497)	(495,012)	4,524,603
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
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	-	510,434	(510,434)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(3,791,118)	(3,791,118)	-	-	(3,791,118)
Issue of ordinary shares under employee share options	12,210	100	12,310	104,758	-	-	-	-	-	117,068
Compensation cost recognized for employee share options	-	-	-	338,194	-	-	-	-	-	338,194
Change in capital surplus from investments in associates accounted for using equity method	-	-	-	10,533	-	-	-	-	-	10,533
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	17,844	-	(3,691)	(3,691)	-	-	14,153
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,666,862	5,666,862	-	-	5,666,862
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(24,283)	(24,283)	(469,492)	44,164	(449,611)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	5,642,579	5,642,579	(469,492)	44,164	5,217,251
BALANCE AT DECEMBER 31, 2016	$ 6,330,741	$ 100	$ 6,330,841	$ 6,058,884	$ 4,473,276	$ 8,435,785	$ 12,909,061	$ (197,633)	$ 112,429	$ 25,213,582

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,643,696	$ 5,872,501
Adjustments for:		
Depreciation expenses	239,135	242,916
Amortization expenses	78,294	74,874
Impairment loss recognized (reversal of impairment loss) of trade receivables	96	(2,203)
Net gain on financial assets or liabilities at fair value through profit or loss	(79,967)	(16,735)
Finance costs	4,163	-
Interest income	(539)	(1,665)
Dividend income	(98,800)	(105,445)
Compensation cost of employee share options	338,194	261,877
Share of profit of subsidiaries and associates accounted for using the equity method	(1,581,818)	(1,344,991)
Loss (gain) on disposal of property, plant and equipment	(146,954)	161
Gain on disposal of investments	(1,431)	(198,848)
Realized loss (gain) on the transactions with subsidiaries and associates	(65,575)	89,443
Changes in operating assets and liabilities		
Financial assets held for trading	55,503	21,877
Notes receivable	(11,743)	(10,161)
Trade receivables	(408,460)	(139,295)
Trade receivables to related parties	69,551	36,412
Other receivables	7,127	(26,992)
Other receivables to related parties	(3,406)	45
Inventories	(262,717)	(268,954)
Other current assets	21,957	(8,670)
Other financial assets	-	18,650
Trade payables	651,489	121,548
Trade payables to related parties	(76,488)	253,194
Other payables	357,649	185,158
Short-term warranty provision	7,745	5,291
Net defined benefit liabilities	(2,041)	(813)
Other current liabilities	81,680	11,088
Other noncurrent liabilities	3,305	(1,975)
Cash generated from operations	5,819,645	5,068,288
Interest received	539	1,665
Dividend received	98,800	105,445
Interest paid	(4,163)	-
Income tax paid	(653,568)	(542,066)
Net cash generated from operating activities	5,261,253	4,633,332

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	**2015**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(4,128,000)	(3,710,080)
Proceeds from sale of available-for-sale financial assets	3,429,410	5,754,213
Acquisition of investments accounted for using equity method	(293,281)	(688,577)
Proceeds from disposal of investments accounted for using the equity method	336,958	-
Prepayment for investments	-	(1,968,044)
Proceeds of the capital reduction of investments accounted for using the equity method	232,330	42,927
Payments for property, plant and equipment	(930,598)	(1,181,375)
Proceeds from disposal of property, plant and equipment	239,507	294
Decrease in refundable deposits	5,176	187
Payments for intangible assets	(76,875)	(62,714)
Proceeds from disposal of intangible assets	58	31
Decrease in prepayments for equipment	11,809	14,609
Dividends received from subsidiaries and associates	779,257	687,589
Net cash used in investing activities	(394,249)	(1,110,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	(119)
Cash dividends paid	(3,791,118)	(3,787,255)
Exercise of employee share options	117,068	30,878
Net cash used in financing activities	(3,674,050)	(3,756,496)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,192,954	(234,104)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	815,293	1,049,397
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,008,247	$ 815,293

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

(With Deloitte & Touche audit report dated March 6, 2017) (Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

To improve the entire operating efficiency of Advantech Co., Ltd. (the "Company") and its subsidiaries, the Company's board of directors resolved on June 30, 2009 to have a short-form merger with Advantech Investment and Management Service (AIMS). The effective merger date was July 30, 2009. As the surviving entity, the Company assumed all assets and liabilities of AIMS.

On June 26, 2014, the Company's board of directors resolved to have a whale-minnow merger with Netstar Technology Co., Ltd. ("Netstar") an indirect 95.51%-owned subsidiary through a wholly-owned subsidiary, Advantech Corporate Investment. The effective merger date was July 27, 2014. As the surviving entity, the Company assumed all assets and liabilities of Netstar.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 6, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
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 or amended 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 in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

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

2) 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 Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company 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 Company, but also of other entities outside the Company. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

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

The amended IFRS 8 requires the Company 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. The judgments made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured 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 Company is a related party of the Company. Consequently, the Company 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.

3) 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 amendment will be applied prospectively starting from January 1, 2017.

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

4) 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" stipulates 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" clarifies 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.

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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

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

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

As of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

The Company has not applied the following IFRSs issued by IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

<u>Impairment of financial assets</u>

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

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

<u>Transition</u>

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

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

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

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

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;

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

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

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

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

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

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

4) IFRS 16 "Leases"

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

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company 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 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 Company as lessor.

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

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

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

6) Annual Improvements to IFRSs 2014-2016 Cycle

IAS 28 "Investments in Associates and Joint Ventures," was amended in this annual improvement.

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

The Company shall apply the aforementioned amendments retrospectively.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 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 financial statements are authorized for issue; and

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

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

d. Business combinations

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

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

e. Foreign currencies

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

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

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

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

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

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

f. Inventories

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

g. Investment in subsidiaries

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

Subsidiaries are the entities (including structured entities) controlled by the Company.

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

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

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

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

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

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

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

h. Investment in associates

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then 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) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to 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 25.

ii. Available-for-sale financial assets

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

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

iii. Loans and receivables

Loans and receivables (including trade receivables and cash and cash equivalent) are measured 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, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with 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 is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, 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.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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 is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

Service income is recognized when services are provided.

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

3) Royalties

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

4) Dividend and interest income

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

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

p. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company'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 Company's best estimate of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the 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.

Impairment assessment of investments accounted for using the equity method

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 325	$ 325
Checking accounts and demand deposits	2,007,922	814,968
	$ 2,008,247	$ 815,293

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

	December 31	
	2016	**2015**
Demand deposits	0.0001%-0.35%	0.001%-0.300%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2016	December 31 2015
Financial assets at held for trading - current		
Forward exchange contracts	$ 34,348	$ 7,391
Financial liabilities held for trading - current		
Forward exchange contracts	$ 8,845	$ 6,352

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2016			
Sell	EUR/NTD	2017.01-2017.05	EUR5,500/NTD192,863
	EUR/USD	2017.01-2017.05	EUR8,500/USD9,451
	USD/NTD	2017.01-2017.04	USD8,414/NTD266,779
	JPY/NTD	2017.01-2017.06	JPY430,000/NTD128,601
	RMB/NTD	2017.01-2017.03	RMB83,000/NTD380,318
December 31, 2015			
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

The Company entered into forward exchange contracts during the years ended December 31, 2016 and 2015 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities. The Company's financial hedging strategy is to minimize risks due to market price fluctuations and cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2016	December 31 2015
Current		
Domestic investments		
Mutual funds	$ 700,269	$ -
Noncurrent		
Domestic investments		
Quoted shares	$ 1,694,801	$ 1,700,814

For its securities borrowing and lending transactions, the Company 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, 2016 and 2015, the stocks held in trust amounted to $1,257,600 thousand and $1,276,400 thousand, respectively. Refer to Table 3 for more information. On the transactions, the Company recognized gains of $53 thousand and $235 thousand during the years ended December 31, 2016 and 2015, respectively. These gains were recorded under other nonoperating income.

9. NOTES AND TRADE RECEIVABLES

	December 31	
	2016	**2015**
Notes receivable (include related parties)	$ 67,223	$ 55,480
Trade receivable	$ 1,560,620	$ 1,156,139
Less: Allowance for impairment loss	(17,016)	(20,899)
	$ 1,543,604	$ 1,135,240

Trade Receivables

The average credit period of sales of goods was from 30 to 90 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 1 year because historical experience had been that receivables that are past due beyond 1 year are 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 positions.

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

The aging of receivables was as follows:

	December 31	
	2016	**2015**
Not overdue	$ 1,404,166	$ 968,470
Overdue		
1 to 90 days	140,291	177,970
91 to 360 days	1,873	2,060
Over 360 days	14,290	7,639
	$ 1,560,620	$ 1,156,139

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

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

	December 31	
	2016	**2015**
1 to 30 days	$ 124,761	$ 141,583
31 to 60 days	9,590	12,722
61 to 90 days	5,940	11,681
	$ 140,291	$ 165,986

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

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2015	$ 19,802	$ 3,330	$ 23,132
Less: Impairment losses recognized on receivables	(2,203)	-	(2,203)
Less: Amounts written off during the year as uncollectible	(30)	-	(30)
Balance at December 31, 2015	$ 17,569	$ 3,330	$ 20,899
Balance at January 1, 2016	$ 17,569	$ 3,330	$ 20,899
Plus: Impairment losses recognized on receivables	96	-	96
Less: Amounts written off during the year as uncollectible	(3,979)	-	(3,979)
Balance at December 31, 2016	$ 13,686	$ 3,330	$ 17,016

The Company recognized impairment losses of $1,432 thousand both on trade receivables as of December 31, 2016 and 2015.

These amounts mainly related to customers that were in liquidation or in severe financial difficulties. The Company did not hold any collateral over these balances.

10. INVENTORIES

	December 31	
	2016	**2015**
Finished goods	$ 707,014	$ 673,949
Work in process	462,358	351,292
Raw materials	732,715	637,327
Inventories in transit	33,786	10,588
	$ 1,935,873	$ 1,673,156

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $21,532,273 thousand and $20,644,285 thousand, respectively.

The costs of inventories were decreased by $89,589 thousand and $107,604 thousand as of December 31, 2016 and 2015, respectively, when stated at the lower of cost or net realizable values.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	$ 14,626,539	$ 12,678,469
Investments in associates	582,300	459,756
	$ 15,208,839	$ 13,138,225

a. Investments in subsidiaries

	December 31	
	2016	2015
Unlisted companies		
Advantech Automation Corp. (BVI) (AAC (BVI))	$ 4,021,994	$ 3,735,761
Advantech Technology Co., Ltd. (ATC)	3,243,871	3,626,645
Advantech Corporate Investment	1,639,126	1,558,953
Advannixs Corp. (formerly Advansus Corp.)	979,563	999,983
Advantech Europe Holding B.V. (AEUH)	864,191	898,536
Advantech-LNC Technology Co., Ltd. (ALTC)	493,481	516,626
AdvanPOS Technology Co., Ltd. (AdvanPOS)	577,260	358,662
ACA Digital Corp. (ACA) (Note 1)	-	319,859
Advantech KR Co., Ltd. (AKR)	228,407	202,503
Advantech Japan Co., Ltd. (AJP)	218,331	179,407
Advantech Co. Singapore Pte, Ltd. (ASG)	72,186	82,906
Advantech iFactory Co., Ltd. (Note 2)	-	60,088
Advantech Brasil Ltda. (ABR)	75,531	48,320
Advantech Co. Malaysia Sdn. Bhd. (AMY)	45,752	36,439
Advantech Australia Pty Ltd. (AAU)	34,737	30,171
Advantech Industrial Computing India Private Limited (AIN)	1,663	13,479
Advantech Innovative Design Co., Ltd.	9,633	8,569
Advantech Electronics, S. De R. L. Dec. V. (AMX)	594	1,562
BEMC Holdings Corporation (BEMC)	1,959,805	-
Advantech Intelligent Service (AiST) (Note 3)	160,414	-
	$ 14,626,539	$ 12,678,469

Note 1: In 2016, ACA was merged by AdvanPOS and ACA ceased to exist.

Note 2: In 2016, Advantech iFactory Co., Ltd. was liquidated.

Note 3: Due to the adjustment of investment structure, the Company directly acquired 100% share equity of AiST from Advantech Investment Corporate.

As the end of the reporting period, the Company's percentage of ownership and voting rights in its investees were as follows:

	December 31	
	2016	2015
AAC (BVI)	100.00%	100.00%
ATC	100.00%	100.00%
Advantech Corporate Investment	100.00%	100.00%
Advanixs Corporation (formerly Advansus Corp.)	100.00%	100.00%
AEUH	100.00%	100.00%
ALTC (Note 22)	81.17%	89.93%
AdvanPOS (Note 22)	100.00%	100.00%
ACA	-	100.00%
AKR	100.00%	100.00%
AJP	100.00%	100.00%
ASG	100.00%	100.00%
Advantech iFactory Co., Ltd.	-	100.00%
ABR	80.00%	80.00%
AMY	100.00%	100.00%
AAU	100.00%	100.00%
AIN	99.99%	99.99%
Advantech Innovative Design Co., Ltd.	100.00%	100.00%
AMX	100.00%	100.00%
BEMC (Note 21)	60.00%	-
AiST	100.00%	-

Refer to Note 26 to the consolidation financial statements of the year ended December 31, 2016 for the disclosures of the Company's acquisitions of B+B.

The financial statements used as basis for calculating investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments have been audited, except those of AIN, AMX, Advantech Innovative Design Co., Ltd. and Advantech iFactory Co., Ltd. (liquidated in 2016). Management believes there would have been no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income had the financial statements of the above subsidiaries been audited.

The investments in subsidiaries 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, 2016 and 2015 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2016	2015
Listed companies		
Axiomtek Co., Ltd.	$ 464,155	$ 450,246
Unlisted companies		
AIMobile Co., Ltd. (AIMobile)	109,241	-
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	8,904	9,510
	$ 582,300	$ 459,756

	For the Year Ended December 31	
	2016	2015
The Company's share of:		
Profit from continuing operations	$ 67,390	$ 110,142
Other comprehensive income	1,575	25
Total comprehensive income for the year	$ 68,965	$ 110,167

The Company acquired AIMobile as an associate in 2016.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments was based on the associates' financial statements audited by the CPAs for the same years.

12. PROPERTY, PLANT, AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
Balance at January 1, 2015	$ 2,774,795	$ 2,388,351	$ 835,167	$ 250,418	$ 489,059	$ 31,996	$ 6,769,786
Additions	-	82,015	61,640	23,935	85,436	928,621	1,181,647
Disposals	-	-	(67,681)	(6,705)	(5,392)	-	(79,778)
Reclassifications	-	-	26,655	-	4,542	(46,323)	(15,126)
Balance at December 31, 2015	$ 2,774,795	$ 2,470,366	$ 855,781	$ 267,648	$ 573,645	$ 914,294	$ 7,856,529
Accumulated depreciation and impairment							
Balance at January 1, 2015	$ -	$ 323,799	$ 621,796	$ 150,528	$ 318,704	$ -	$ 1,414,827
Disposals	-	-	(67,681)	(6,331)	(5,311)	-	(79,323)
Depreciation expense	-	47,874	82,301	37,257	75,484	-	242,916
Balance at December 31, 2015	$ -	$ 371,673	$ 636,416	$ 181,454	$ 388,877	$ -	$ 1,578,420
Carrying amounts at December 31, 2015	$ 2,774,795	$ 2,098,693	$ 219,365	$ 86,194	$ 184,768	$ 914,294	$ 6,278,109
Cost							
Balance at January 1, 2016	$ 2,774,795	$ 2,470,366	$ 855,781	$ 267,648	$ 573,645	$ 914,294	$ 7,856,529
Additions	-	124,964	22,004	20,968	42,814	805,658	1,016,408
Disposals	(78,305)	(16,248)	(36,127)	(15,700)	(43,656)	-	(190,036)
Reclassifications	-	1,563,490	55,691	11,053	23,000	(1,677,979)	(24,745)
Balance at December 31, 2016	$ 2,696,490	$ 4,142,572	$ 897,349	$ 283,969	$ 595,803	$ 41,973	$ 8,658,156
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 371,673	$ 636,416	$ 181,454	$ 388,877	$ -	$ 1,578,420
Disposals	-	(7,023)	(35,610)	(14,978)	(39,872)	-	(97,483)
Depreciation expense	-	55,755	70,612	35,077	77,691	-	239,135
Balance at December 31, 2016	$ -	$ 420,405	$ 671,418	$ 201,553	$ 426,696	$ -	$ 1,720,072
Carrying amounts at December 31, 2016	$ 2,696,490	$ 3,722,167	$ 225,931	$ 82,416	$ 169,107	$ 41,973	$ 6,938,084

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

Buildings	
Main buildings	45-60 years
Electronic equipment	5 years
Engineering systems	50 years
Equipment	2-8 years
Office equipment	2-5 years
Other facilities	2-5 years

13. GOODWILL

	December 31	
	2016	2015
Cost		
Balance at January 1	$ 111,599	$ 111,599
Balance at December 31	$ 111,599	$ 111,599

14. OTHER LIABILITIES

	December 31	
	2016	2015
Other payables		
Salaries or bonuses	$ 1,840,482	$ 1,753,360
Payable for royalties	179,207	105,186
Payable for annual leave	36,701	25,650
Others (Note)	642,984	371,719
	$ 2,699,374	$ 2,255,915

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

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2016	2015
Present value of defined benefit obligation	$ 343,036	$ 327,854
Fair value of plan assets	(131,866)	(145,682)
Deficit	211,170	182,172
Net defined benefit liability	$ 211,170	$ 182,172

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 308,456	$ (144,207)	$ 164,249
Service cost			
Current service cost	2,344	-	2,344
Past service cost	1,340	-	1,340
Net interest expense (income)	5,784	(2,774)	3,010
Recognized in profit or loss	9,468	(2,774)	6,694
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,019)	(1,019)
Actuarial (gain) loss - changes in demographic assumptions	12,031	-	12,031
Actuarial (gain) loss - changes in financial assumptions	9,903	-	9,903
Actuarial (gain) loss - experience adjustments	(2,179)	-	(2,179)
Recognized in other comprehensive income	19,755	(1,019)	18,736
Contributions from the employer	-	(7,507)	(7,507)
Benefits paid	(9,825)	9,825	-
Balance at December 31, 2015	327,854	(145,682)	182,172
Service cost			
Current service cost	2,645	-	2,645
Net interest expense (income)	5,328	(2,429)	2,899
Recognized in profit or loss	7,973	(2,429)	5,544
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,402	1,402
Actuarial (gain) loss - changes in demographic assumptions	8,515	-	8,515
Actuarial (gain) loss - changes in financial assumptions	10,487	-	10,487
Actuarial (gain) loss - experience adjustments	10,635	-	10,635
Recognized in other comprehensive income	29,637	1,402	31,039
Contributions from the employer	-	(7,585)	(7,585)
Benefits paid	(22,428)	22,428	-
Balance at December 31, 2016	$ 343,036	$ (131,866)	$ 211,170

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

	For the Year Ended December 31	
	2016	2015
Operating costs	$ 1,230	$ 1,075
Selling and marketing expenses	868	838
General and administrative expenses	1,010	2,368
Research and development expenses	1,954	1,963
	$ 5,062	$ 6,244

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

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2016	2015
Discount rate(s)	1.375%	1.625%
Expected rate(s) of salary increase	3.250%	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 decrease/increase as follows:

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	$ (10,694)	$ (10,254)
0.25% decrease	$ 11,160	$ 10,705
Expected rate(s) of salary increase		
0.25% increase	$ 10,775	$ 10,360
0.25% decrease	$ (10,384)	$ (9,980)

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 7,601	$ 7,563
The average duration of the defined benefit obligation	12.7 years	12.8 years

16. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2016	2015
Number of shares authorized (in thousands)	800,000	800,000
Amount of shares authorized	$ 8,000,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	633,084	631,853
Amount of shares issued and fully paid	$ 6,330,841	$ 6,318,531

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, 2016, the changes in shares are due to employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of common shares	$ 3,396,888	$ 3,396,888
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	17,844	-
May be used to offset a deficit only		
Arising from changes in percentage of ownership interest in subsidiaries (2)	4,246	4,246
Arising from employee share options	1,077,084	792,341
Arising from distribution of stock dividends	78,614	78,614

(Continued)

	December 31	
	2016	2015
May not be used for any purpose		
Arising from share of changes in capital surplus of associates	$ 23,231	$ 12,698
Arising from employee share options	529,128	370,919
	$ 6,058,884	$ 5,587,555

(Concluded)

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

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

c. Retained earnings and dividend policy

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

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to c. employee benefits expense in Note 17.

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

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

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

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

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

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

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

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on March 6, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 566,686	$ -
Special reserve	85,204	-
Cash dividends	3,988,367	6.3
Share dividends	633,074	1.0

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

d. Other equity items

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 271,859	$ 338,356
Exchange differences arising on translating the financial statements of foreign operations	(561,518)	(82,566)
Related income tax	96,161	13,620
Share of exchange difference of associates accounted for using the equity method	(4,135)	2,449
Balance at December 31	$ (197,633)	$ 271,859

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 68,265	$ 563,277
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	(4,334)	(358,746)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(1,431)	(198,848)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	49,929	62,582
Balance at December 31	$ 112,429	$ 68,265

17. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on loans from related parties	$ 3,871	$ -
Interest on short-term bank loans	292	-
	$ 4,163	$ -

b. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 239,135	$ 242,916
Intangible assets	78,294	74,874
	$ 317,429	$ 317,790
An analysis of depreciation by function		
Operating costs	$ 55,527	$ 51,653
Operating expenses	183,608	191,263
	$ 239,135	$ 242,916
An analysis of amortization by function		
Operating costs	$ 277	$ 210
Selling and marketing expenses	13	145
General and administrative expenses	52,694	52,752
Research and development expenses	25,310	21,767
	$ 78,294	$ 74,874

c. Employee benefits expense

	For the Year Ended December 31	
	2016	**2015**
Short-term benefits	$ 2,978,334	$ 2,792,674
Post-employment benefits		
Defined contribution plans	118,917	115,737
Defined benefit plans (Note 15)	5,062	6,244
	123,979	121,981
Share-based payments - equity - settled	338,194	261,877
Other employee benefits	147,018	141,631
Total employee benefits expense	$ 3,587,525	$ 3,318,163
An analysis of employee benefits expense by function		
Operating costs	$ 743,057	$ 685,258
Operating expenses	2,844,468	2,632,905
	$ 3,587,525	$ 3,318,163

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting on May 25, 2016, the Company accrued employees' compensation at the rates no less than 1% and no higher than 20%, and remuneration of directors and supervisors at the rates no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on March 6, 2017 and March 4, 2016, respectively, were as follows:

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

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

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

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

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on May 28, 2015 were as follows:

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

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

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

d. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2016	**2015**
Foreign exchange gains	$ 445,744	$ 603,588
Foreign exchange losses	(586,433)	(692,447)
	$ (140,689)	$ (88,859)

18. INCOME TAXES

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

	For the Year Ended December 31	
	2016	**2015**
Current tax		
In respect of the current year	$ 738,950	$ 682,972
Income tax on unappropriated earnings	71,661	62,541
Adjustments for prior years	25,838	(77)
	836,449	745,436
Deferred tax		
In respect of the current year	140,385	23,860
Adjustments for prior years	-	(1,141)
	140,385	22,719
Income tax expense recognized in profit or loss	$ 976,834	$ 768,155

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

	For the Year Ended December 31	
	2016	2015
Profit before tax	$ 6,643,696	$ 5,872,501
Income tax expense calculated at the statutory rate	$ 1,129,428	$ 998,325
Tax-exempt income	(167,214)	(214,892)
Unrecognized deductible temporary differences	-	(20,742)
Unrecognized investment credits	(87,000)	(57,000)
Income tax on unappropriated earnings	71,661	62,541
Land value increment tax	4,121	-
Adjustments for prior years' tax	25,838	(77)
Income tax expense recognized in profit or loss	$ 976,834	$ 768,155

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 10% income tax rate of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ 96,161	$ 13,620
Remeasurement on defined benefit plan	5,277	3,185
	$ 101,438	$ 16,805

c. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax liabilities		
Income tax payable	$ 1,036,650	$ 853,769

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, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 56,143	$ (11,147)	$ -	$ 44,996
Unrealized loss on inventory write-down	18,293	(3,063)	-	15,230
Defined benefit obligation	16,003	(347)	-	15,656
Unrealized exchange losses	8,545	(8,545)	-	-
Donation expense	2,550	(2,550)	-	-
Unrealized warranty liabilities	7,040	1,316	-	8,356
Exchange difference on foreign operations	-	-	40,479	40,479
Remeasurement on defined benefit plans	6,136	-	5,277	11,413
	$ 114,710	$ (24,336)	$ 45,756	$ 136,130
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 868,659	$ 113,511	$ -	$ 982,170
Exchange difference on foreign operations	55,682	-	(55,682)	-
Remeasurement on defined benefit plan	3,391	-	-	3,391
Unrealized exchange gain	-	2,538	-	2,538
	$ 927,732	$ 116,049	$ (55,682)	$ 988,099

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 40,938	$ 15,205	$ -	$ 56,143
Unrealized loss on inventory write-down	15,771	2,522	-	18,293
Defined benefit obligation	16,141	(138)	-	16,003
Unrealized exchange losses	-	8,545	-	8,545
Donation expense	-	2,550	-	2,550

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Unrealized warranty liabilities	$ 6,140	$ 900	$ -	$ 7,040
Remeasurement on defined benefit plans	2,951	-	3,185	6,136
	$ 81,941	$ 29,584	$ 3,185	$ 114,710
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 807,836	$ 60,823	$ -	$ 868,659
Exchange difference on foreign operations	69,302	-	(13,620)	55,682
Remeasurement on defined benefit plan	3,391	-	-	3,391
Unrealized exchange gain	8,520	(8,520)	-	-
	$ 889,049	$ 52,303	$ (13,620)	$ 927,732

(Concluded)

e. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated on and after January 1, 1998	$ 8,435,785	$ 7,098,449
Shareholder-imputation credit account	$ 777,620	$ 608,917

	For the Year Ended December 31	
	2016 (Expected)	2015
Creditable ratio for distribution of earning	18.69%	13.86%

f. Income tax assessments

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

19. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2016	2015
Basic earnings per share	$ 8.96	$ 8.08
Diluted earnings per share	$ 8.90	$ 8.05

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

Net Profit for the Year

	For the Year Ended December 31	
	2016	**2015**
Earnings used in the computation of basic earnings per share	$ 5,666,862	$ 5,104,346
Earnings used in the computation of diluted earnings per share	$ 5,666,862	$ 5,104,346

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

	For the Year Ended December 31	
	2016	**2015**
Weighted average number of ordinary shares in computation of basic earnings per share	632,148	631,633
Effect of potentially dilutive ordinary shares:		
Employee share option	3,492	1,372
Employees’ compensation	1,168	1,202
Weighted average number of ordinary shares used in the computation of diluted earnings per share	636,808	634,207

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

20. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 6,500 options in 2016, 5,000 options in 2014 and 3,000 options in 2010. Each option entitles the holder to subscribe for one thousand common shares of the Company. The holders of these shares include employees whom meet certain criteria set by the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 2016, 2014 and 2010 are valid for six, six and five years, respectively. All are exercisable at certain percentages after the second anniversary year from the grant date. Options granted in 2010 had an exercise price equal to the closing price of the Company’s common shares listed on the grant date, and the exercise prices of those granted in 2016 and 2014 were both 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:

Employee Share Options	2016 Number of Options (In Thousands)	2016 Weighted-average Exercise Price (NT$)	2015 Number of Options (In Thousands)	2015 Weighted-average Exercise Price (NT$)
Balance at January 1	5,000	$100.00	5,644	$ 94.10
Options granted	6,500	100.00	-	-
Options exercised	(1,231)	95.10	(644)	47.95
Balance at December 31	10,269	-	5,000	100.00
Options exercisable, end of the year	3,769	95.10	-	-
Weighted-average fair value of options granted (NT$)	$ 95.10		$ -	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2016 and 2015 were from NT$204 to NT$269 and from NT$210 to NT$254, respectively.

Information about outstanding options as of December 31, 2016 and 2015 was as follows:

	For the Year Ended December 31			
	2016		2015	
Employee Share Options	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2016	$100.00	5.45	$ -	-
Issuance in 2014	95.10	3.63	$100.00	4.63

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

	2016	2014	2010
Grant-date share price (NT$)	235	$239.5	$67.4
Exercise price (NT$)	100	$100	$67.4
Expected volatility	31.42-32.48%	28.28%-29.19%	34.11%-35.15%
Expected life (years)	4-5.5 years	4-5.5 years	3.5-4.5 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.52%-0.65%	1.07%-1.30%	0.92%-1.10%

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

Compensation cost recognized was $338,194 thousand and $261,877 thousand for the years ended December 31, 2016 and 2015, respectively.

21. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

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

Note: For more information of BEMC, Avtek and B+B and its subsidiaries IMC, Quatech, BBI, B&B Electronics, B&B DMCC, B+B (CZ) (formerly Conel) and Conel Automation (formerly Softcon), please refer to Table 8.

To expand the Company's global brand market in industrial network communications and operations in China, the Company acquired B+B SmartWorx Inc. and Advanixs Kun Shan Corp. (formerly Yeh-Chiang Technology Kun Shan Co., Ltd.). For details about the acquisition of B+B SmartWorx Inc. and Advanixs Kun Shan Corp., please refer to Note 26 to the consolidated financial statements for the year ended December 31, 2016.

22. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

a. In 2015, the Company subscribed for an additional 6,533 thousand shares of AdvanPOS, increasing the Company's equity interest from 84.01% to 100%.

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

c. In the first quarter of 2016, the Company acquired 40% equity in Hanzhou Advantofine Automation Co., Ltd., increasing the Company's equity interest from 60% to 100%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the above transactions, please refer to Note 27 to the consolidated financial statements for the year ended December 31, 2016.

23. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases are mainly leases of warehouses with lease term of 1 year. The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2016	2015
Not later than 1 year	$ 280	$ 5,352

The lease payments recognized in profit or loss for the current year were as follows:

	For the Year Ended December 31	
	2016	2015
Minimum lease payment	$ 12,079	$ 15,455

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged in both 2015 and 2016.

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

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

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

25. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 34,348	$ -	$ 34,348
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,694,801	$ -	$ -	$ 1,694,801
Mutual funds	700,269	-	-	700,269
	$ 2,395,070	$ -	$ -	$ 2,395,070
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 8,845	$ -	$ 8,845

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 7,391	$ -	$ 7,391
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,700,814	$ -	$ -	$ 1,700,814
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 6,352	$ -	$ 6,352

There were no transfers between Level 1 and 2 in the current and prior periods.

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

Derivatives held by the Company 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.

b. Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 34,348	$ 7,391
Loans and receivables (Note 1)	7,652,453	6,112,664
Available-for-sale financial assets	2,395,070	1,700,814
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	8,845	6,352
Measured at amortized cost (Note 2)	6,860,985	5,842,525

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, note receivables, trade receivables, trade receivables from related parties, and other receivables (including those due from related parties).

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade and other payables (including those to related parties).

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

The Company undertook operating activities and investment of foreign operations denominated in foreign currencies, which exposed the Company to foreign currency risk. The Company's forward exchange contracts are used to minimize risks of market price and fluctuations in cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 28 and 7, respectively.

<u>Sensitivity analysis</u>

The Company was mainly exposed to U.S. dollar, Euro and Chinese Yuan currencies.

The following table details the Company's sensitivity to a 5% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 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 associated with New Taiwan dollar strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	U.S. Dollar Impact		**Euro Impact**		**Chinese Yuan Impact**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Profit or loss	$ 60,788 (Note 1)	$ 33,883 (Note 1)	$ 56,716 (Note 2)	$ 41,827 (Note 2)	$ 23,072 (Note 3)	$ 41,897 (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.

b) Interest rate risk

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

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

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

	December 31	
	2016	**2015**
Cash flow interest rate risk		
Financial assets	$ 2,004,912	$ 813,331

<u>Sensitivity analysis</u>

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2016 and 2015 would have increased by $10,025 thousand and $4,067 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Company's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and open-end mutual funds. The Company manages this exposure by maintaining a portfolio of investments with different risks. The Company's equity price risks 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, pretax other comprehensive income for the years ended December 31, 2016 and 2015 would have increased by $23,951 thousand and $17,008 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

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

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

3) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2016 and 2015, the Group had available unutilized short-term bank loan facilities set out in (3) below.

a) Liquidity and interest risk rate tables for nonderivative financial liabilities

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

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

December 31, 2016

	On Demand or Less than 1 Month	**1-3 Months**	**Over 3 Months to 1 Year**	**Over 1 Year - 5 Years**
Nonderivative financial liabilities				
Noninterest bearing	$ 4,481,036	$ 1,320,648	$ 1,059,301	$ -

December 31, 2015

	On Demand or Less than 1 Month	**1-3 Months**	**Over 3 Months to 1 Year**	**Over 1 Year - 5 Years**
Nonderivative financial liabilities				
Noninterest bearing	$ 3,017,559	$ 1,790,626	$ 1,034,340	$ -

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

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

The following tables detailed the Company's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted gross contractual net cash inflows and outflows on these derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2016

Gross settled	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Foreign exchange forward contracts				
Inflows	$ 297,337	$ 693,399	$ 282,619	$ 1,273,355
Outflows	287,861	682,033	277,958	1,247,852
	$ 9,476	$ 11,366	$ 4,661	$ 25,503

December 31, 2015

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

c) Financing facilities

	December 31	
	2016	2015
Unsecured bank loan facilities		
Amount used	$ -	$ -
Amount unused	2,362,900	1,379,466
	$ 2,362,900	$ 1,379,466

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of significant transactions between the Company and other related parties are disclosed below.

a. Sales of goods

	For the Year Ended December 31	
Related Party Categories	2016	2015
Subsidiaries	$ 22,819,095	$ 21,850,199
Associates	17,108	29,337
Other related parties	10	-
	$ 22,836,213	$ 21,879,536

b. Purchases of goods

Related Party Categories	For the Year Ended December 31 2016	2015
Subsidiaries	$ 14,708,329	$ 15,254,030
Associates	21,126	22,241
	$ 14,729,455	$ 15,276,271

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

Line Item	Related Party Categories	December 31 2016	2015
Trade receivables - related parties	Subsidiaries	$ 3,906,231	$ 3,961,514
	Associates	2,206	16,485
	Other related parties	11	-
		$ 3,908,448	$ 3,977,999
Note receivable	Associates	$ -	$ 183

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2016 and 2015 no impairment loss was recognized for trade receivables from related parties.

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

Related Party Categories	December 31 2016	2015
Subsidiaries	$ 2,601,846	$ 2,685,959
Associates	8,796	1,171
	$ 2,610,642	$ 2,687,130

The outstanding trade payables to related parties are unsecured.

e. Other receivables from related parties

Related Party Categories	December 31 2016	2015
Subsidiaries	$ 19,002	$ 15,596

f. Property, plant and equipment acquired

Related Party Categories	Price For the Year Ended December 31 2016	2015
Subsidiaries	$ 10,408	$ 42,912

g. Other transactions with related parties

	Operating Expenses For the Year Ended December 31 2016	 2015
Administration expenses		
Subsidiaries	$ 17,855	$ 13,244
Rent expenses		
Subsidiaries	$ 1,518	$ 1,518
Others		
Subsidiaries	$ 3,871	$ 2,391

	Other Income For the Year Ended December 31 2016	 2015
Rent income		
Subsidiaries	$ 4,836	$ 6,416
Other related parties	60	50
	$ 4,896	$ 6,466
Others		
Subsidiaries	$ 88,537	$ 87,367
Other related parties	2,702	2,712
Associates	-	787
	$ 91,239	$ 90,866

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

h. Compensation of key management personnel

	For the Year Ended December 31 2016	 2015
Short-term employee benefits	$ 34,349	$ 36,643
Post-employment benefits	113	116
Share-based payments	20,114	26,188
	$ 54,576	$ 62,947

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

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Significant commitments

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

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 125,577	32.25 (USD:NTD)	$ 4,049,858
RMB	329,147	4.167 (RMB:NTD)	1,519,672
EUR	23,502	33.90 (EUR:NTD)	796,718
			$ 6,366,248
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	290,712	32.25 (USD:NTD)	$ 9,375,462
EUR	29,470	33.90 (EUR:NTD)	999,033
KRW	9,340,408	0.027 (KRW:NTD)	252,191
JPY	832,407	0.276 (JPY:NTD)	229,744
			$ 10,856,430
Financial liabilities			
Monetary items			
USD	79,465	32.25 (USD:NTD)	$ 2,562,746
RMB	200,202	4.617 (RMB:NTD)	924,333
			$ 3,487,079

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 84,470	32.825 (USD:NTD)	$ 2,772,728
RMB	328,421	4.9950 (RMB:NTD)	1,640,463
EUR	24,408	35.880 (EUR:NTD)	875,759
			$ 5,288,950
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	230,225	32.825 (USD:NTD)	$ 7,557,136
EUR	29,132	35.880 (EUR:NTD)	1,045,256
KRW	8,311,195	0.0280 (KRW:NTD)	232,713
JPY	678,922	0.2730 (JPY:NTD)	185,346
			$ 9,020,451
Financial liabilities			
Monetary items			
USD	63,419	32.825 (USD:NTD)	$ 2,081,729
RMB	207,665	4.9950 (RMB:NTD)	1,037,287
			$ 3,119,016

For the years ended December 2016 and 2015, realized and unrealized net foreign exchange losses were $140,689 thousand and $88,859 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

29. SEPARATELY DISCLOSED ITEMS

a. Information 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 (excluding investment in subsidiaries and associates). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 6)

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 7)

9) Transactions of financial instruments. (Notes 7 and 25)

10) Name, locations, and other information of investees. (Table 8)

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 9)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, their prices, and payment terms, and unrealized gains or losses. Refer to Tables 1, 5 and 7.

TABLE 1

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Year	Ending Balance	Ending Balance						Item	Value		
1	Better Auto	Dongguan Pou Yuen Digital Technology Co., Ltd.	Trade receivables - related parties	Yes	$ 22,980 (RMB 4,520 thousand)	$ 20,869 (RMB 4,520 thousand)	$ 20,869 (RMB 4,520 thousand)	-	Short-term financing	$ -	Financing need	$ -	None	None	$ 2,521,358 (Note C)	$ 5,042,716 (Note C)
		Dongguan Pou Yuen Digital Technology Co., Ltd.	Trade receivables - related parties	Yes	16,725 (US$ 500 thousand)	16,125 (US$ 500 thousand)	12,900 (US$ 400 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
2	ANA	B+B	Trade receivables - related parties	Yes	66,900 (US$ 2,000 thousand)	64,500 (US$ 2,000 thousand)	24,188 (US$ 750 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
3	B+B	B+B (CZ) (formerly Conel)	Trade receivables - related parties	Yes	133,408 (CZK 31,756 thousand)	39,949 (CZK 31,756 thousand)	4,382 (CZK 3,483 thousand)	2	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
4	B+B (CZ) (formerly Conel)	Conel Automation (formerly Softcon)	Trade receivables - related parties	Yes	16,111 (CZK 12,000 thousand)	15,096 (CZK 12,000 thousand)	15,096 (CZK 12,000 thousand)	1	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
5	Cermate Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	Prepayments of inventories	Yes	15,252 (RMB 3,000 thousand)	13,851 (RMB 3,000 thousand)	-	-	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
6	ALNC	Dongguan Pou Yuen Digital Technology Co., Ltd.	Prepayments of inventories	Yes	150,000	150,000	93,532	-	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
7	Advanix Corp.	The Company	Trade receivables - related parties	Yes	200,000	200,000	-	1	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
8	Advantech Corporate Investment	The Company	Trade receivables - related parties	Yes	500,000	-	-	1	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)
9	AdvanPOS	The Company	Trade receivables - related parties	Yes	100,000	-	-	1	Short-term financing	-	Financing need	-	None	None	2,521,358 (Note C)	5,042,716 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of December 31, 2016 were US$1=NT$32.25, RMB1=NT$4.617 and CZK1=NT$1.258.

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.

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee Name	Endorsee/Guarantee Relationship	Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
0	The Company	Advanixs Corp. (formerly Advansus Corp.)	Subsidiary	$ 2,521,358	$ 64,500 (US$ 2,000 thousand)	$ 64,500 (US$ 2,000 thousand)	$ -	$ -	0.27	$ 7,564,074	Y	N	N
		AdvanDos	Subsidiary	2,521,358	64,500 (US$ 2,000 thousand)	64,500 (US$ 2,000 thousand)	-	-	0.27	7,564,074	Y	N	N
		ANA	Subsidiary	2,521,358	978,450 (US$ 30,000 thousand)	967,500 (US$ 30,000 thousand)	483,750 (US$ 15,000 thousand)	-	4.07	7,564,074	Y	N	N
		B+B	Subsidiary	2,521,358	326,150 (US$ 10,000 thousand)	322,500 (US$ 10,000 thousand)	-	-	1.36	7,564,074	Y	N	N
		AKMC	Subsidiary	2,521,358	195,690 (US$ 6,000 thousand)	193,500 (US$ 6,000 thousand)	-	-	0.81	7,564,074	Y	N	Y
		ALNC	Subsidiary	2,521,358	114,153 (US$ 3,500 thousand)	112,875 (US$ 3,500 thousand)	-	-	0.47	7,564,074	Y	N	N
		Advanixs Corp. (formerly Advansus Corp.)	Subsidiary	2,521,358	52,184 (US$ 1,600 thousand)	51,600 (US$ 1,600 thousand)	-	-	0.22	7,564,074	Y	N	N
		Cermate	Subsidiary	2,521,358	50,553 (US$ 1,550 thousand)	49,988 (US$ 1,550 thousand)	-	-	0.21	7,564,074	Y	N	N
		AiST	Subsidiary	2,521,358	4,892 (US$ 150 thousand)	4,838 (US$ 150 thousand)	-	-	0.02	7,564,074	Y	N	N
		AdvanPOS	Subsidiary	2,521,358	32,615 (US$ 1,000 thousand)	32,250 (US$ 1,000 thousand)	-	-	0.14	7,564,074	Y	N	N
		A-DLoG	Subsidiary	2,521,358	36,300 (EUR 1,000 thousand)	33,900 (EUR 1,000 thousand)	-	-	0.14	7,564,074	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		ABR	Subsidiary	$ 2,521,358	$ 48,923 (US$ 1,500 thousand)	$ 48,375 (US$ 1,500 thousand)	$ -	$ -	0.20	$ 7,564,074	Y	N	N
		AAU	Subsidiary	2,521,358	6,523 (US$ 200 thousand)	6,450 (US$ 200 thousand)	-	-	0.03	7,564,074	Y	N	N
		AKR	Subsidiary	2,521,358	1,631 (US$ 50 thousand)	1,613 (US$ 50 thousand)	-	-	0.01	7,564,074	Y	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, 2016 were US$1=NT$32.25 and EUR1=NT$33.90.

Note D: The latest net equity is from the financial statements on ended September 30, 2016.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,239,461	$ 1,388,457	0.71	$ 1,388,457	Note A and C
	Pegatron Corp.	-	〃	3,540,570	272,624	0.14	272,624	Note A and D
	Allied Circuit Co., Ltd.	-	〃	1,200,000	33,720	2.41	33,720	Note A
	Fund							
	Capital Money Market	-	Available for sale financial assets - current	6,257,979	100,016	-	100,016	Note B
	Mega Diamond Money Market	-	〃	24,168,482	300,131	-	300,131	Note B
	FSITC Money Market	-	〃	1,698,386	300,122	-	300,122	Note B
Advantech Corporate Investment	Stock							
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,800,000	78,680	5.63	78,680	Note A
	BroadTec System Inc.	-	Available for sale financial assets - noncurrent	150,000	1,500	6.16	1,500	-
	BiosenseTek Corp.	-	〃	37,500	375	1.79	375	-
	Jaguar Technology	-	〃	500,000	7,500	16.67	7,500	-
	Allied Circuit Co., Ltd.	-	〃	299,000	8,402	0.60	8,402	Note A
	Phison Electronics Corporation	-	Available for sale financial assets - current	1,500,000	383,250	0.76	383,250	Note A
	Radiant Opto-Electronics Corporation	-	〃	500,000	28,100	0.11	28,100	Note A
	Lelon Electronics Corporation	-	〃	2,436,000	95,004	1.86	95,004	Note A
	Fund							
	Mega Diamond Money Market	-	Available for sale financial assets - current	23,861,961	296,325	-	296,325	Note B
	FSITC Money Market	-	〃	2,038,341	360,195	-	360,195	Note B
	Taishin 1699 Money Market	-	〃	14,932,171	200,073	-	200,073	Note B
Advanixs Corp. (formerly Advansus Corp.)	Fund							
	Jih Sun Money Market	-	〃	38,021,440	557,763	-	557,763	Note B
	CTBC Hwa-win Money Market Fund			2,290,363	25,000	-	25,000	Note B
	Mega Diamond Money Market	-	〃	2,416,413	30,008	-	30,008	Note B
AiST	Fund							
	Jill Sun Money Market	-	〃	1,226,167	17,987	-	17,987	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
ALTC	Fund							
	Mega Diamond Money Market	-	〃	5,677,549	$ 70,506	-	$ 70,506	Note B
	Capital Money Market	-	〃	2,132,508	34,082	-	34,082	Note B
AdvanPOS	Fund							
	Mega Diamond Money Market	-	〃	11,231,810	139,480	-	139,480	Note B
Advantech Innovative Design Co., Ltd.	Fund							
	Capital Money Market	-	〃	281,756	4,503	-	4,503	Note B
Cermate	Fund							
	Mega Diamond Money Market	-	〃	1,130,641	14,041	-	14,041	Note B

Note A: Market value was based on the closing price on December 31, 2016.

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2016.

Note C: The amount included $1,099,750 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 $157,850 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)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note)		Disposal				Ending Balance (Note)	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	Fund													
	Capital Money Market	Available for sale financial assets - current	-	-	-	$ -	77,706,012	$ 1,240,000	71,448,034	$ 1,140,484	$ 1,140,000	$ 484	6,257,978	$ 100,000
	Mega Diamond Money Market	Available for sale financial assets - current	-	-	-	-	126,440,929	1,568,000	102,272,448	1,268,601	1,267,979	622	24,168,481	300,021
	FSITC Money Market	Available for sale financial assets - current	-	-	-	-	6,174,911	1,090,000	4,476,525	790,207	790,000	207	1,698,386	300,000
	Stock													
	B+B	Investments accounted for using the equity method	-	-	-	-	230,467	1,968,044 (US$ 59,910)	-	-	-	-	230,467	1,968,044
Advantech Corporate Investment	Fund													
	FSITC Money Market	Available for sale financial assets - current	-	-	-	-	2,038,341	360,000	-	-	-	-	2,038,341	360,000
Advanixs Corp. (formerly Advansus Corp.)	Fund													
	Jih Sun Money Market	Available for sale financial assets - current	-	-	19,537,275	285,055	50,635,993	742,004	32,151,828	471,000	469,941	1,059	38,021,440	557,118
AdvanPOS	Fund													
	Mega Diamond Money Market	Available for sale financial assets - current	-	-	242,411	3,000	35,288,731	437,021	24,299,332	301,358	300,824	534	11,231,810	139,197
ANA	Fund													
	B+B	Investments accounted for using the equity method	-	-	-	-	153,644	1,328,004 (US$ 39,940)	-	-	-	-	153,644	1,328,004
ATC (HK)	Stock													
	Advanixs Kunshan Corp.	Investments accounted for using the equity method	-	-	-	-	-	459,648 (RMB 92,758)	-	-	-	-	-	459,648

TABLE 5

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AAU	Subsidiary	Sale	$ (228,239)	0.75	60-90 days	Contract price	No significant difference in terms for related parties	$ 74,609	1.35	
	ACN	Subsidiary	Sale	(5,414,546)	17.75	45 days after month-end	Contract price	No significant difference in terms for related parties	821,752	14.84	Note A
	AEU	Subsidiary	Sale	(3,835,119)	12.57	30 days after month-end	Contract price	No significant difference in terms for related parties	946,905	17.10	
	AiSC	Subsidiary	Sale	(495,184)	1.62	45 days after month-end	Contract price	No significant difference in terms for related parties	116,622	2.11	Note B
	AJP	Subsidiary	Sale	(811,326)	2.66	60-90 days	Contract price	No significant difference in terms for related parties	212,728	3.84	
	AKMC	Subsidiary	Sale	(1,493,414)	4.90	45 days after month-end	Contract price	No significant difference in terms for related parties	227,740	4.11	Note C
	AKR	Subsidiary	Sale	(799,440)	2.62	60 days after invoice date	Contract price	No significant difference in terms for related parties	97,049	1.75	
	ANA	Subsidiary	Sale	(8,315,279)	27.26	45 days after month-end	Contract price	No significant difference in terms for related parties	1,114,946	20.14	
	ASG	Subsidiary	Sale	(223,551)	0.73	60-90 days	Contract price	No significant difference in terms for related parties	53,059	0.96	
	Advanixs Corp.	Subsidiary	Sale	(559,010)	1.83	60-90 days	Contract price	No significant difference in terms for related parties	119,452	2.16	
	A-DLoG	Subsidiary	Sale	(174,205)	0.57	30 days after invoice date	Contract price	No significant difference in terms for related parties	9,774	0.18	
	AMY	Subsidiary	Sale	(145,199)	0.48	45 days after month-end	Contract price	No significant difference in terms for related parties	52,188	0.94	
	ACA	Subsidiary	Purchase	1,903,339	8.81	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
	AKMC	Subsidiary	Purchase	9,739,690	45.08	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,212,521)	29.14	
	Advanixs Corp.	Subsidiary	Purchase	2,343,971	10.85	Usual trade terms	Contract price	No significant difference in terms for related parties	(626,010)	15.04	
	AdvanPOS	Subsidiary	Purchase	566,683	2.62	Usual trade terms	Contract price	No significant difference in terms for related parties	(349,650)	8.40	
ACA	The Company	Parent company	Sale	(1,903,339)	100.00	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
AKMC	The Company	Parent company	Sale	(9,739,690)	92.60	Usual trade terms	Contract price	No significant difference in terms for related parties	1,212,521	90.85	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advanixs Corp.	The Company	Parent company	Sale	$ (2,343,971)	37.52	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 626,010	45.72	
AdvanPOS	The Company	Parent company	Sale	(566,683)	48.24	Usual trade terms	Contract price	No significant difference in terms for related parties	349,650	57.55	
AAU	The Company	Parent company	Purchase	228,239	84.80	60-90 days	Contract price	No significant difference in terms for related parties	(74,609)	86.01	
ACN	The Company	Parent company	Purchase	5,414,546	72.60	45 days after month-end	Contract price	No significant difference in terms for related parties	(821,752)	67.59	
AEU	The Company	Parent company	Purchase	3,835,119	83.12	30 days after month-end	Contract price	No significant difference in terms for related parties	(946,905)	94.96	
AiSC	The Company	Parent company	Purchase	495,184	49.27	45 days after month-end	Contract price	No significant difference in terms for related parties	(116,622)	62.28	
AJP	The Company	Parent company	Purchase	811,326	97.66	60-90 days	Contract price	No significant difference in terms for related parties	(212,728)	98.63	
AKMC	The Company	Parent company	Purchase	1,493,414	15.63	45 days after month-end	Contract price	No significant difference in terms for related parties	(227,740)	10.70	
AKR	The Company	Parent company	Purchase	799,440	66.35	60 days after invoice date	Contract price	No significant difference in terms for related parties	(97,049)	60.47	
ANA	The Company	Parent company	Purchase	8,315,279	89.02	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,114,946)	94.36	
ASG	The Company	Parent company	Purchase	223,551	71.28	60-90 days	Contract price	No significant difference in terms for related parties	(53,059)	86.20	
Advanixs Corp.	The Company	Parent company	Purchase	559,010	10.05	60-90 days	Contract price	No significant difference in terms for related parties	(119,452)	8.16	
A-DLoG	The Company	Parent company	Purchase	174,205	18.58	30 days after invoice date	Contract price	No significant difference in terms for related parties	(9,774)	16.93	
AMY	The Company	Parent company	Purchase	145,199	86.05	45 days after month-end	Contract price	No significant difference in terms for related parties	(52,188)	100.00	
AiSC	AKMC	Related enterprise	Sale	(123,469)	11.03	Usual trade terms	Contract price	No significant difference in terms for related parties	1,185	0.51	
AKMC	ACN	Related enterprise	Sale	(509,671)	4.85	Usual trade terms	Contract price	No significant difference in terms for related parties	88,163	6.61	
	AiSC	Related enterprise	Sale	(185,452)	1.76	Usual trade terms	Contract price	No significant difference in terms for related parties	28,687	2.15	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advanixs Corp.	AKMC	Related enterprise	Sale	$ (2,900,081)	46.42	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 637,941	46.59	
ALNC	Dongguan Pou Yuen Digital Technology Co., Ltd.	Subsidiary	Sale	(205,457)	42.70	Usual trade terms	Contract price	No significant difference in terms for related parties	92,766	84.22	
ACN	AiSC	Related enterprise	Sale	(127,420)	1.48	Usual trade terms	Contract price	No significant difference in terms for related parties	31,012	1.53	
ANA	AdvanPOS	Related enterprise	Sale	(126,312)	1.04	Usual trade terms	Contract price	No significant difference in terms for related parties	85,622	5.46	
Advanixs Kun Shan Corp.	AKMC	Related enterprise	Sale	(222,271)	100.00	Usual trade terms	Contract price	No significant difference in terms for related parties	144,232	100.00	
AKMC	AiSC	Related enterprise	Purchase	123,469	1.29	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,185)	0.06	
ACN	AKMC	Related enterprise	Purchase	509,671	6.83	Usual trade terms	Contract price	No significant difference in terms for related parties	(88,163)	7.46	
AiSC	AKMC	Related enterprise	Purchase	185,452	18.45	Usual trade terms	Contract price	No significant difference in terms for related parties	(28,687)	15.75	
AKMC	Advanixs Corp.	Related enterprise	Purchase	2,900,081	30.35	Usual trade terms	Contract price	No significant difference in terms for related parties	(637,941)	30.83	
Dongguan Pou Yuen Digital Technology Co., Ltd.	ALNC	Parent company	Purchase	205,457	80.96	Usual trade terms	Contract price	No significant difference in terms for related parties	(92,766)	72.36	
AiSC	ACN	Related enterprise	Purchase	127,420	12.68	Usual trade terms	Contract price	No significant difference in terms for related parties	(31,012)	17.03	
AdvanPOS	ANA	Related enterprise	Purchase	126,312	11.65	Usual trade terms	Contract price	No significant difference in terms for related parties	(85,622)	17.49	
AKMC	Advanixs Kun Shan Corp.	Related enterprise	Purchase	222,271	2.33	Usual trade terms	Contract price	No significant difference in terms for related parties	(144,232)	6.97	

Note A: Realized gain for the year was $9,702 thousand.

Note B: Unrealized gain for the year was $816 thousand.

Note C: Realized gain for the year was $5,429 thousand.

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Real estate	2014.4.15	$ 1,627,500	Under the contract, based on percentage of construction completed; accumulated payments of $1,627,500 thousand were made as of December 31, 2016 and $93,113 thousand were made in the fourth quarter of 2016.	Chung-Lin General Contractors, Ltd.	None	-	-	-	$ -	Contract price	For the Company's expansion	None

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	$ 821,752	5.30	$ -	-	$ 249,318	$ -
	AEU	Subsidiary	951,281	3.96	-	-	155,587	-
	AiSC	Subsidiary	116,622	4.60	-	-	34,166	-
	AJP	Subsidiary	214,660	5.21	-	-	38,854	-
	AKMC	Subsidiary	227,749	7.54	-	-	189,659	-
	ANA	Subsidiary	1,117,501	7.61	-	-	751,425	-
	Advanixs Corp.	Subsidiary	119,511	6.37	-	-	63,848	-
AKMC	The Company	Parent company	1,212,521	7.45	-	-	983,962	-
Advanixs Corp.	AKMC	Related enterprise	637,941	5.34	-	-	280,810	-
	The Company	Parent company	626,010	2.79	-	-	301,471	-
AdvanPOS	The Company	Parent company	349,650	3.21	-	-	156,987	-

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars/Foreign Currency, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	$ 1,000,207	$ 1,000,207	29,623,834	100.00	$ 4,021,994	$ 429,541	$ 427,865	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	1,231,118	33,850,000	100.00	3,243,871	104,114	96,661	Subsidiary
	Advanixs Corporate (formerly Advansus Corp.)	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	979,563	486,566	462,195	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	1,400,000	1,400,000	150,000,000	100.00	1,639,126	34,108	33,632	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.99	464,155	360,023	93,560	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	460,572	460,572	20,438,000	100.00	577,260	224,493	218,495	Subsidiary
	ALNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	431,634	478,825	24,350,000	81.17	493,481	11,514	10,606	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,904	(1,322)	(411)	Equity-method investee
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	594	(771)	(771)	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	12,572,024	100.00	864,191	17,978	17,702	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	72,186	5,100	5,100	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	34,737	5,704	5,704	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	218,331	45,585	45,585	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	45,752	19,416	19,416	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	228,407	63,563	63,563	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	75,531	24,253	19,403	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of portable industrial automation products	-	146,440	-	-	-	59,906	65,577	Subsidiary (Note D)
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	9,633	1,054	1,054	Subsidiary
	Advantech iFactory Co., Ltd.	Taipei, Taiwan	Cybernation equipment manufacturing	-	60,000	-	100.00	-	201	201	Subsidiary
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	157,915	-	10,000,000	100.00	160,414	(23,860)	2,511	Subsidiary (Note E)
	BEMC	Delaware, USA	Sale of industrial network communications systems	1,968,044	-	230,467	60.00	1,959,805	53,173	31,903	Subsidiary (Note C)
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	1,663	(11,974)	(11,974)	Subsidiary
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	135,000	-	13,500,000	45.00	109,241	(57,243)	(25,759)	Equity-method investee
Advantech Corporate Investment	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	-	142,063	-	-	-	(23,860)	(26,371)	Subsidiary (Note E)
	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	117,913	27,681	14,844	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	16,154	(4,606)	(1,828)	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	3,135,926	251,893	244,440	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,296,976	236,063	235,733	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,873,641	194,940	193,595	Subsidiary
ANA	BEMC	Delaware, USA	Sale of industrial network communications	1,328,004	-	153,644	40.00	1,306,537	53,173	21,270	Subsidiary (Note C)
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	11,314,280	100.00	874,511	17,819	17,542	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	22,127	801	801	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	485,607	(34,598)	(45,520)	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	18,044	4,696	2,395	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	2,380	(1,883)	(1,883)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Cermate	LandMark	BVI	General investment	$ 28,200	$ 28,200	972,284	100.00	$ 75,241	$ 15,296	$ 15,296	Subsidiary
ALNC	Better Auto	BVI	General investment	264,445	264,445	8,556,096	100.00	79,770	(12,359)	(12,307)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	51,779	(11,654)	(11,654)	Subsidiary
AdvanPOS	Bright Mind Limited	Samoa	General investment	-	US$ 200	-	-	-	-	-	Subsidiary
BEMC	Avtek	Delaware, USA	General investment	US$ 99,850	-	-	100.00	3,266,342	53,173	53,173	Subsidiary
Avtek	B+B	Delaware, USA	General investment	US$ 99,850	-	-	100.00	3,266,342	53,173	53,173	Subsidiary
B+B	BBI	Ireland	Sale of industrial network communications systems	US$ 39,481	-	-	100.00	128,294	(18,762)	(18,762)	Subsidiary
	Quatech	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBI	B&B Electronics	Delaware, USA	Sale of industrial network communications systems	US$ 1,314	-	-	100.00	-	-	-	Subsidiary
	B+B (CZ) (formerly Conel)	Czech Republic	Sale of industrial network communications systems	-	-	-	99.99	141,999	49,588	49,588	Subsidiary
	Conel Automation (formerly Softcon)	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	112	5,717	57	Subsidiary
	B&B DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
B&B Electronics	B+B (CZ) (formerly Conel)	Czech Republic	Sale of industrial network communications systems	-	-	-	0.01	-	-	-	Subsidiary
B+B (CZ) (formerly Conel)	Conel Automation (formerly Softcon)	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	11,111	5,717	5,660	Subsidiary

Note A: The financial statements used as basis of net asset values had not been audited by independent CPAs, except those of AIN, AMX and Advantech Innovative Design Co., Ltd.

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

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

Note D: In the third quarter of 2016, ACA and AdvanPOS merged and ACA ceased to exist.

Note E: In the third quarter of 2016, the Group has adjusted its investment structure and the Company directly acquired 100% share equity of AiST.

(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$ 43,750 thousand (Note F)	Indirect	$ 1,202,925 (US$ 37,300 thousand)	$ -	$ -	$ 1,202,925 (US$ 37,300 thousand)	$ 235,499	100	$ 227,951	$ 2,691,960	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$ 4,230 thousand	Indirect	171,957 (US$ 5,332 thousand)	-	-	171,957 (US$ 5,332 thousand)	199,635	100	199,052	1,123,813	362,232 (US$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US$ 8,000 thousand	Indirect	258,000 (US$ 8,000 thousand)	-	-	258,000 (US$ 8,000 thousand)	28,343	100	27,581	739,662	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	(33,654)	100	(33,654)	7,771	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	(6,478)	100	(6,478)	14,954	-
Advanixs Kun Shan Corp.	Production and sale of industrial automation products	RMB 99,515 thousand	Indirect	(Note G)	-	-	(Note G)	29,532	100	16,394	443,870	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
$1,639,332 (US$50,832 thousand) (Note E)	$2,760,600 (US$85,600 thousand)	$15,232,138 (Note I)

(Continued)

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.

Note D: Remittance by ACN.

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

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

Note G: ATC, parent company of ATC (HK), increased the share capital of ATC (HK) and ATC (HK) acquired 100% share equity of Advanixs Kun Shan Corp. from Yeh-Chiang Technology (Cayman).

Note H: The exchange rate was US$1.00=NT$32.25.

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

(Concluded)