Advantech Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2013 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 "Consolidated and Separate Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ADVANTECH CO., LTD.

March 28, 2014

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, as stated in Note 4 to the consolidated financial statements, we did not audit the consolidated financial statements as of and for the years ended December 31, 2013 and 2012 of some companies in which the Company had investments accounted for by the equity method. The consolidated financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the investees' amounts included herein, is based solely on the reports of other auditors. Total assets of these investments were 8.07% (NT$2,221,698 thousand) and 6.65% (NT$1,602,815 thousand) of the Group's total assets as of December 31, 2013 and 2012, respectively. Operating revenue of these investments were 9.13% (NT$2,799,185 thousand) and 8.90% (NT$2,452,803 thousand) of the Group's operating revenue for 2013 and 2012, respectively. Also, as stated in Note 12, to the consolidated financial statements, we did not audit the financial statements as of and for the years ended December 31, 2013 and 2012 of some companies in which the Company had investments accounted for using equity method. The consolidated financial statements of these investee were audited by the other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the investees' amounts included herein, is based solely on the reports of other auditors. Investments accounted for using the equity method were 1.46% (NT$402,433 thousand) and 1.57% (NT$379,684 thousand) of the Group's total assets as of and for the years ended December 31, 2013 and 2012. Also, the equity in the investees' net gains was 1.43% (NT$73,680 thousand) and 1.17% (NT$49,770 thousand) of the Group's income before income tax in 2013 and 2012, respectively.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and the results of its financial performance and its consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of the parent company, Advantech Co., Ltd., as of and for the years ended December 31, 2013 and 2012 and have expressed a modified unqualified opinion on those financial statements.

March 28, 2014

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars, Except Par Value)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 2,832,358	10	$ 3,272,043	14	$ 2,281,279	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,723	-	16,879	-	57,204	-
Available-for-sale financial assets - current (Notes 4 and 8)	2,112,427	8	1,537,309	6	873,808	4
Debt investments with no active market - current (Note 9)	568,803	2	423,428	2	241,882	1
Notes receivable from unrelated parties (Notes 4 and 10)	749,529	3	574,292	3	427,256	2
Trade receivables from unrelated parties (Notes 4, 10, and 31)	4,760,147	17	3,634,455	15	3,384,644	16
Other receivables from unrelated parties	24,736	-	71,792	-	49,335	-
Inventories (Notes 4 and 11)	4,030,657	15	3,890,166	16	3,895,123	18
Other current assets (Notes 15 and 32)	330,250	1	306,949	1	194,137	1
Total current assets	15,411,630	56	13,727,313	57	11,404,668	53
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	1,864,424	7	2,305,004	10	2,343,019	11
Investments accounted for using the equity method (Notes 4 and 12)	402,433	1	379,684	2	363,978	2
Property, plant and equipment (Notes 4, 13 and 32)	7,941,679	29	6,391,636	26	6,240,080	29
Goodwill (Notes 4 and 14)	1,265,658	5	632,181	3	607,363	3
Other intangible assets (Note 4)	326,617	1	349,185	1	367,261	2
Deferred tax assets (Notes 4, 5 and 22)	144,047	1	167,386	1	145,206	-
Prepayments for equipment	25,299	-	22,954	-	27,906	-
Long-term prepayments for lease (Note 15)	94,416	-	93,098	-	98,496	-
Other noncurrent assets (Note 28)	59,881	-	40,304	-	40,029	-
Total noncurrent assets	12,124,454	44	10,381,432	43	10,233,338	47
TOTAL	$ 27,536,084	100	$ 24,108,745	100	$ 21,638,006	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 16 and 32)	$ 123,144	-	$ 151,452	1	$ 171,442	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	23,722	-	9,620	-	53,516	-
Trade payables from unrelated parties (Note 31)	3,003,543	11	2,327,248	10	1,709,805	8
Other payables (Note 18)	3,011,909	11	2,074,727	9	1,738,402	8
Current tax liabilities (Notes 4 and 22)	695,945	3	324,613	1	407,157	2
Short-term warranty provision (Note 4)	122,437	-	106,735	-	112,617	-
Current portion of long-term borrowings and bonds payable (Notes 4, 16, 17, 30 and 32)	18,348	-	366	-	1,584	-
Other current liabilities	336,026	1	495,582	2	389,165	2
Total current liabilities	7,335,074	26	5,490,343	23	4,583,688	21
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 17)	-	-	184,660	1	760,331	4
Long-term borrowings, net of current portion (Notes 16 and 32)	-	-	2,566	-	11,068	-
Deferred tax liabilities (Notes 4 and 22)	623,598	2	552,179	2	509,752	2
Accrued pension liabilities (Notes 4 and 19)	156,864	1	150,647	-	171,945	1
Other noncurrent liabilities	358	-	1,081	-	1,116	-
Total noncurrent liabilities	780,820	3	891,133	3	1,454,212	7
Total liabilities	8,115,894	29	6,381,476	26	6,037,900	28
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	5,669,249	21	5,639,971	23	5,517,971	26
Advance receipts for share capital	24,751	-	-	-	11,990	-
Total share capital	5,694,000	21	5,639,971	23	5,529,961	26
Capital surplus						
Additional paid in capital from share issuance in excess of par value	4,870,500	18	4,563,350	19	3,751,469	18
Employee stock options	121,023	-	138,435	1	256,210	1
Changes in equity of related parties recognized under the equity method	4,112	-	-	-	-	-
Total capital surplus	4,995,635	18	4,701,785	20	4,007,679	19
Retained earnings						
Legal reserve	3,061,424	11	2,715,185	11	2,359,911	11
Special reserve	-	-	545,303	2	621,662	3
Unappropriated earnings	5,452,733	20	3,952,535	17	3,524,919	16
Total retained earnings	8,514,157	31	7,213,023	30	6,506,492	30
Other equity						
Foreign-currency translation reserve	130,041	-	(104,345)	(1)	105,408	-
Unrealized gain or loss on available-for-sale financial assets	(75,534)	-	168,944	1	(648,592)	(3)
Total other equity	54,507	-	64,599	-	(543,184)	(3)
Total equity attributable to owners of the Company	19,258,299	70	17,619,378	73	15,500,948	72
NONCONTROLLING INTERESTS	161,891	1	107,891	1	99,158	-
Total equity	19,420,190	71	17,727,269	74	15,600,106	72
TOTAL	$ 27,536,084	100	$ 24,108,745	100	$ 21,638,006	100

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

(With Deloitte & Touche audit report dated March 28, 2014)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 31)				
Sales	$ 29,828,793	97	$ 26,768,715	97
Other operating revenue	831,241	3	783,156	3
Total operating revenue	30,660,034	100	27,551,871	100
OPERATING COSTS (Notes 11, 21 and 31)	18,074,403	59	16,743,650	61
GROSS PROFIT	12,585,631	41	10,808,221	39
OPERATING EXPENSES (Notes 21 and 31)				
Selling and marketing expenses	3,084,308	10	2,842,886	10
General and administrative expenses	2,072,236	7	1,699,329	6
Research and development expenses	2,760,937	9	2,403,277	9
Total operating expenses	7,917,481	26	6,945,492	25
OPERATING PROFIT	4,668,150	15	3,862,729	14
NONOPERATING INCOME AND EXPENSES				
Share of the profit of associates and joint ventures accounted for using equity method (Notes 4 and 12)	73,680	-	49,770	-
Interest income	30,422	-	24,357	-
Gain (loss) on disposal of property, plant and equipment	41,816	-	30,919	-
Gain on disposal of investments	56,542	-	58,553	-
Foreign exchange gain, net (Note 4)	144,682	1	-	-
Valuation gain on financial instruments at FVTPL (Notes 4 and 7)	34,883	-	112,256	1
Dividend income	120,141	1	98,242	-
Other income (Notes 8 and 31)	101,690	-	129,845	1
Finance costs (Note 21)	(11,402)	-	(20,350)	-
Valuation loss on financial instruments at FVTPL (Notes 4 and 7)	(76,812)	-	(45,597)	-
Foreign exchange loss, net (Note 4)	-	-	(42,700)	-
Other losses	(15,246)	-	(20,923)	-
Total nonoperating income and expenses	500,396	2	374,372	2
PROFIT BEFORE INCOME TAX	5,168,546	17	4,237,101	16
INCOME TAX EXPENSE (Notes 4 and 22)	1,041,337	4	745,983	3
NET PROFIT FOR THE YEAR	4,127,209	13	3,491,118	13

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	$ 282,941	1	$ (234,269)	(1)
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 20)	(244,478)	(1)	817,536	3
Actuarial gain (loss) on defined benefit plan	(10,829)	-	13,617	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using equity method (Notes 4 and 22)	3,883	-	(2,191)	-
Income tax relating to the components of other comprehensive income (expense) (Notes 4, 20 and 22)	(46,247)	-	17,917	-
Other comprehensive income (loss) for the year, net of income tax	(14,730)	-	612,610	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,112,479	13	$ 4,103,728	15
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 4,106,397	13	$ 3,471,791	13
Noncontrolling interests	20,812	-	19,327	-
	$ 4,127,209	13	$ 3,491,118	13
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 4,087,236	13	$ 4,089,736	15
Noncontrolling interests	25,243	-	13,992	-
	$ 4,112,479	13	$ 4,103,728	15
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	$ 7.26		$ 6.23	
Diluted	$ 7.20		$ 6.17	

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

(With Deloitte & Touche audit report dated March 28, 2014) (Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Issued Capital (Notes 20 and 24)				Retain Earnings (Notes 4, 20 and 27)				Other Equity (Notes 4 and 20)				
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 4 and 20)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Noncontrolling Interests (Notes 4, 20 and 27)	Total Equity
BALANCE AT JANUARY 1, 2012	$ 5,517,971	$ 11,990	$ 5,529,961	$ 4,007,679	$ 2,359,911	$ 621,662	$ 3,524,919	$ 6,506,492	$ 105,408	$ (648,592)	$ 15,500,948	$ 99,158	$ 15,600,106
Appropriation of the 2011 earrings													
Legal reserve	-	-	-	-	355,274	-	(355,274)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(76,359)	76,359	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(2,764,981)	(2,764,981)	-	-	(2,764,981)	-	(2,764,981)
Issue of ordinary shares for employee share options	45,500	(11,990)	33,510	137,675	-	-	-	-	-	-	171,185	-	171,185
Compensation cost recognized for employee share options	-	-	-	45,406	-	-	-	-	-	-	45,406	-	45,406
Convertible bonds converted to ordinary shares	76,500	-	76,500	511,025	-	-	-	-	-	-	587,525	-	587,525
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	(2,214)	(2,214)	-	-	(2,214)	-	(2,214)
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	-	-	-	(8,227)	(8,227)	-	-	(8,227)	(5,259)	(13,486)
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	3,471,791	3,471,791	-	-	3,471,791	19,327	3,491,118
Other comprehensive income for the year ended December 31, 2012, net of income tax	-	-	-	-	-	-	10,162	10,162	(209,753)	817,536	617,945	(5,335)	612,610
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	-	3,481,953	3,481,953	(209,753)	817,536	4,089,736	13,992	4,103,728
BALANCE AT DECEMBER 31, 2012	5,639,971	-	5,639,971	4,701,785	2,715,185	545,303	3,952,535	7,213,023	(104,345)	168,944	17,619,378	107,891	17,727,269
Appropriation of the 2012 earrings													
Legal reserve	-	-	-	-	346,239	-	(346,239)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(545,303)	545,303	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(2,763,586)	(2,763,586)	-	-	(2,763,586)	-	(2,763,586)
Issue of ordinary shares for employee share options	15,590	15,910	31,500	123,274	-	-	-	-	-	-	154,774	-	154,774
Compensation cost recognized for employee share options	-	-	-	19,913	-	-	-	-	-	-	19,913	-	19,913
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	4,112	-	-	-	-	-	-	4,112	-	4,112
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	-	-	-	(32,608)	(32,608)	-	-	(32,608)	(15,730)	(48,338)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	44,487	44,487
Convertible bonds converted to ordinary shares	13,688	8,841	22,529	146,551	-	-	-	-	-	-	169,080	-	169,080
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	4,106,397	4,106,397	-	-	4,106,397	20,812	4,127,209
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(9,069)	(9,069)	234,386	(244,478)	(19,161)	4,431	(14,730)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	4,097,328	4,097,328	234,386	(244,478)	4,087,236	25,243	4,112,479
BALANCE AT DECEMBER 31, 2013	$ 5,669,249	$ 24,751	$ 5,694,000	$ 4,995,635	$ 3,061,424	$ -	$ 5,452,733	$ 8,514,157	$ 130,041	$ (75,534)	$ 19,258,299	$ 161,891	$ 19,420,190

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

(With Deloitte & Touche audit report dated March 28, 2014)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 5,168,546	$ 4,237,101
Adjustments for:		
Depreciation expenses	372,641	350,173
Amortization expenses	111,247	90,840
Impairment loss (gain) recognized on trade receivables	41,929	(66,659)
Bad-debt expenses	36,125	36,045
Compensation cost of employee share options	19,913	45,406
Finance costs	11,402	20,350
Interest income	(30,422)	(24,357)
Dividend income	(120,141)	(98,242)
Share of profit of associates and joint ventures	(73,680)	(49,770)
Gain on disposal of property, plant and equipment	(41,816)	(30,919)
Gain on disposal of available-for-sale financial assets	(61,023)	(58,553)
Loss on disposal of former associates	4,481	-
Loss recognized on the write-down and disposal of inventories	142,138	207,578
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	(13,671)	63,088
Increase in notes receivable	(132,104)	(147,036)
Increase in trade receivables	(893,795)	(171,845)
Decrease (increase) in trade receivables - related parties	(3,202)	87
Decrease (increase) in other receivables	71,142	(20,353)
Increase in inventories	(58,942)	(77,792)
Decrease (increase) in other current assets	6,857	(110,010)
Increase in trade payables	467,719	485,548
Decrease in accrued pension liabilities	(4,612)	(7,681)
Increase in other payables	768,382	296,866
Increase (decrease) in other current liabilities	(167,849)	98,017
Cash generated from operations	5,621,265	5,067,882
Interest received	24,233	22,253
Dividends received	120,141	98,242
Interest paid	(11,101)	(8,519)
Income tax paid	(694,857)	(791,189)
Net cash generated from operating activities	5,059,681	4,388,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in prepayments for equipment	(53,161)	4,952
Purchase of available-for-sale financial assets	(4,998,636)	(2,555,378)
Proceeds of the sale of available-for-sale financial assets	4,633,818	2,848,053
Purchase of debt investments with no active market	(145,375)	(181,546)
Proceeds of the disposal of investments accounted for using the equity method	83,225	-
Net cash outflow on acquisition of subsidiaries	(816,729)	(176,915)

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	**2012**
Dividends received from associates and joint venture	$ 42,777	$ 33,769
Net cash inflow on disposal of subsidiaries	11,654	14,503
Payments for property, plant and equipment	(1,580,672)	(620,910)
Proceeds of the disposal of property, plant and equipment	116,164	63,153
Decrease (increase) in refundable deposits	(18,292)	650
Payments for intangible assets	(78,158)	(25,242)
Net cash used in investing activities	(2,803,385)	(594,911)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(28,308)	(19,990)
Cash dividends paid	(2,763,586)	(2,764,981)
Employee share options exercised	154,774	171,185
Repayments of long-term borrowings	(202,932)	(9,720)
Decrease in guarantee deposits	(723)	(35)
Decrease in noncontrolling interests	(48,338)	(13,486)
Net cash used in financing activities	(2,889,113)	(2,637,027)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	193,132	(165,967)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(439,685)	990,764
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,272,043	2,281,279
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,832,358	$ 3,272,043

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

(With Deloitte & Touche audit report dated March 28, 2014) (Concluded)

1. GENERAL INFORMATION

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

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

To improve the entire operating efficiency of the group, the Company's board of directors resolved on December 31, 2009 to have a short-form merger with Advantech Investment and Management Service (AIMS). The effective merger date was July 30, 2009. As the survivor entity, the Company assumed all assets and liabilities of AIMS.

The functional currency of the Company is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 28, 2014.

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

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

The Company and entities controlled by the Company (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

The New IFRSs Not Included in the 2013 IFRSs Version	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
IFRS 9 “Financial Instruments”	Effective date not determined
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Effective date not determined
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
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

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is 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 effective date of IFRS 9 will be on or after January 1, 2018.

b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the initial application of the above New IFRSs has not had any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments" (not included in the 2013 IFRSs version)

<u>Recognition and measurement of financial assets</u>

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. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

<u>Recognition and measurement of financial liabilities</u>

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Group presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

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

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

3) IFRS 13 “Fair Value Measurement”

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

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

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

5) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets” (not included in the 2013 IFRSs version)

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

6) Annual Improvements to IFRSs: 2010-2012 Cycle (not included in the 2013 IFRSs version)

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

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

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

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

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

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

7) Annual Improvements to IFRSs: 2011-2013 Cycle (not included in the 2013 IFRSs version)

Several standards including IFRS 3, IFRS 13 and IAS 40 "Investment Property" were amended in this annual improvement.

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

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

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

c. Significant impending changes in accounting policy resulted from the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective

The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") in issue but not yet effective on the Company's consolidated financial statements is as follows:

As of the date the financial statements were authorized for issue, the Company is continuingly assessing the possible impact that the application of the above New IFRSs will have on the Company's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the Financial Supervisory Commission (FSC) announced the "Framework for the Adoption of IFRSs by the Companies in the ROC." Under this framework, starting from 2013, companies with shares listed on the Taiwan Stock Exchange, traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), the Interpretations approved by the FSC (IFRIC) and SIC endorsed by the FSC.

The Group's consolidated financial statements for the years ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 37 for the impact of IFRS conversion on the Group's consolidated financial statements.

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 37.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. 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. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including special purpose entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

<u>Attribution of total comprehensive income to noncontrolling interests</u>

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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

2) Subsidiaries included in consolidated financial statements

		% of Ownership		
Investor	**Investee**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
Advantech Co., Ltd.	AAC (BVI)	100.00	100.00	100.00
	ATC	100.00	100.00	100.00
	Advansus Corp.	100.00	100.00	50.00
	Advantech Fund-A	100.00	100.00	100.00
	AEUH	100.00	100.00	100.00
	ASG	100.00	100.00	100.00
	AAU	100.00	100.00	100.00
	AJP	100.00	100.00	100.00
	AMY	100.00	100.00	100.00
	AKR	100.00	100.00	100.00
	ABR	63.28	43.28	43.28
	AiST (Remark 1)	-	100.00	100.00
	ACA	100.00	99.36	99.36
	AIN (Remark 3)	99.99	99.99	-
	AdvanPOS Technology Co., Ltd. (Remark 2)	64.47	-	-
	Advantech - LNC Technology Co., Ltd. (Remark 2)	100.00	-	-
	AHK	-	-	100.00
Advantech Fund-A	Netstar Technology Co., Ltd.	95.49	94.28	89.79
	BCM Embedded Computer Inc. (Remark 4)	-	100.00	100.00
	Broadwin Technology Inc. (AiST) (Remark 1)	100.00	100.00	100.00
	Cemate Technology Inc.	55.00	55.00	55.00
ATC	ATC (HK)	100.00	100.00	100.00
ATC (HK)	AKMC	100.00	100.00	100.00

(Continued)

Investor	Investee	% of Ownership December 31, 2013	December 31, 2012	January 1, 2012
AAC (BVI)	ANA	100.00	100.00	100.00
	AAC (HK)	100.00	100.00	100.00
ANA	ABR	16.72	16.72	16.72
	AMX	100.00	100.00	-
AAC (HK)	ACN	100.00	100.00	100.00
	AiSC	100.00	100.00	100.00
	AXA	100.00	100.00	100.00
ACN	Hangzhou Advantofine Automation Co., Ltd.	60.00	60.00	60.00
AEUH	AEU	100.00	100.00	100.00
	APL	100.00	100.00	100.00
	A-DLOG	-	-	100.00
AEU	A-DLOG	100.00	100.00	-
	Innocore	-	-	100.00
	GPEG (Remark 5)	100.00	-	-
Innocore	IGL	-	-	100.00
ASG	ATH	51.00	51.00	51.00
	AID	100.00	100.00	-
Cermate Technology Inc.	Land Mark	100.00	100.00	100.00
Land Mark	Cermate (Shanghai)	100.00	100.00	100.00
	Cermate (Shenzhen)	90.00	90.00	90.00
AdvanPOS Technology Co., Ltd.	Bright Mind Ltd.	100.00	-	-
Bright Mind Ltd.	AdvanPOS Technology Shanghai Co., Ltd.	100.00	-	-
Advantech - LNC Technology Co., Ltd.	Better Auto Holdings Ltd.	100.00	-	-
Better Auto Holdings Ltd.	Famous Now Limited	100.00	-	-
Famous Now Limited	Dongguan Pou Yuen Digital Technology Co., Ltd.	100.00	-	-

(Concluded)

Remark 1: Subsidiaries AiST and Broadwin Technology Inc. ("Broadwin") had merged as of December 31, 2013, with Broadwin, the survivor entity, changing its name to Advantech Intelligent Service (AiST) after the merger.

Remark 2: As of December 31, 2013, the Company had acquired 64.47% and 100% equity of AdvanPOS Technology Co., Ltd. and Advantech - LNC Technology Co., Ltd., respectively. These companies were recognized as consolidated entities as of December 31, 2013.

Remark 3: AIN was not a major subsidiary and its financial statements had not been audited. The management of the Group believes that there would have been no material differences had AIN's financial statements been audited by independent CPAs.

Remark 4: Disposed of as of December 31, 2013. Not a consolidated entity of the Group.

Remark 5: In 2013, the Company had acquired 100% equity of GPEG. GPEG was recognized as a consolidated entity as of December 31, 2013.

The financial statements of the following subsidiaries had not been audited by Deloitte Taiwan but by other auditors: Advantech Europe Holding B.V. (except one subsidiary, Advantech Europe B.V., which was audited by Deloitte Taiwan), Advantech Japan Co., Ltd., Advantech Australia Pty Ltd., Advantech Co. Singapore Pte, Ltd., Advantech Co. Malaysia Sdn. Bhd. and Advantech Brasil Ltda.

In addition, the financial statements of AdvanPOS Technology Co., Ltd. and GPEG International Limited, subsidiaries newly acquired by the Company as of December 31, 2013, had been audited by other independent CPAs.

e. Business combinations

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

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

f. Foreign currencies

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

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

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 on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and noncontrolling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to noncontrolling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

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

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

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

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

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

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

i. Property, plant, and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties 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 is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as 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 Group's cash-generating units (or groups of 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 attributable 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, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful 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. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

l. Impairment of tangible and intangible assets other than goodwill

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

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

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.

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, 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.

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities 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 interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 30. If, in a subsequent period, the fair value of the financial liabilities can be reliably measured, the financial liabilities are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

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) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward exchange contracts.

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

n. Provisions

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate 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 (where the effect of the time value of money is material).

Warranties

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

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

Service income including that from operating service provided under service concession arrangements is recognized when services are provided.

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

3) Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

q. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

r. Employee share options

<u>Employee share options granted to employee</u>

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grate date when the share options granted vest immediately.

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Revenue recognition

As described in Note 4 (o), sales revenue is recognized when all required conditions are met.

In making the judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods.

b. Income taxes

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of deferred tax assets in relation to unused tax losses was $12,865 thousand, $13,081 thousand and $0 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, no deferred tax asset has been recognized on tax losses of $408,056 thousand, $573,412 thousand and $619,506 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Estimated impairment of trade receivables

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

d. Fair value of financial instruments

As described in Note 30, the Group’s management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. Debt instruments were valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The Group’s management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

e. Useful lives of property, plant and equipment

As described in Note 4 (i), the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date. During the current period, management determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

f. Write-down of inventory

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

g. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Cash on hand	$ 73,474	$ 2,742	$ 3,174
Checking accounts and demand deposits	2,233,909	2,496,697	2,239,968
Time deposits with original maturities of less than three months	524,975	772,604	38,137
	$ 2,832,358	$ 3,272,043	$ 2,281,279

Cash equivalents include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value; these were held for the purpose of meeting short-term cash commitments.

The market rates for cash in bank at the end of the reporting period were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Time deposits	0.64%-5.50%	0.73%-4.50%	0.38%-3.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Financial assets held for trading - current			
Forward exchange contracts	$ 2,723	$ 16,879	$ 57,204
Financial liabilities held for trading - current			
Forward exchange contracts	$ 23,722	$ 9,620	$ 53,516

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, 2013			
Sell	EUR/NTD	2014.01-2014.07	EUR14,000/NTD557,094
	EUR/USD	2014.01-2014.04	EUR2,000/USD2,681
	USD/NTD	2014.01-2014.04	USD20,181/NTD595,802
	JPY/NTD	2014.01-2014.04	JPY170,000/NTD50,830
December 31, 2012			
Sell	EUR/NTD	2013.01-2013.06	EUR5,000/NTD189,762
	EUR/USD	2013.01-2013.06	EUR10,000/USD13,024
	USD/NTD	2013.01-2013.06	USD41,047/NTD1,201,760
	JPY/NTD	2013.01-2013.05	JPY130,000/NTD47,989
	JPY/USD	2013.01-2013.05	JPY80,000/USD1,023
January 1, 2012			
Sell	EUR/NTD	2012.01-2012.06	EUR5,500/NTD223,957
	EUR/USD	2012.01-2012.06	EUR13,000/USD18,419
	USD/NTD	2012.01-2012.06	USD44,935/NTD1,308,802
	JPY/NTD	2012.01-2012.04	JPY120,000/NTD52,273
	JPY/USD	2012.01-2012.04	JPY140,000/USD1,517

The Company entered into forward exchange contracts during the years ended December 31, 2013 and 2012 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, 2013		December 31, 2012		January 1, 2012	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Domestic investments						
Mutual funds	$ 2,056,368	$ -	$ 1,495,111	$ -	$ 833,866	$ -
Quoted shares						
Chunghwa Telecom Co., Ltd.	46,080	115,782	15,588	117,524	16,495	124,364
ASUSTek Computer Inc.	-	1,404,176	-	1,784,146	-	1,576,266
Pegatron Corp.	-	309,334	-	370,077	-	609,132
Aver Information Inc.	-	-	17,464	-	23,447	-
Taiwan 50	9,979	-	9,146	-	-	-
Unlisted shares						
BroadTec System Inc.	-	1,500	-	-	-	-
BioSenseTek Corp	-	375	-	-	-	-
Foreign investments						
Unquoted foreign shares						
Coban Research and Technologies, Inc. (US$1,020 thousand in December 31, 2013, December 31, 2012 and January 1, 2012)	-	33,257	-	33,257	-	33,257
	$ 2,112,427	$ 1,864,424	$ 1,537,309	$ 2,305,004	$ 873,808	$ 2,343,019

The Company and its subsidiary, Advantech Fund-A, classified their shares in Chunghwa Telecom Co., Ltd. as available-for-sale financial assets - noncurrent and available-for-sale financial assets - current, respectively, in accordance with the nature of the shares and their respective purposes for holding the shares.

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. As of December 31, 2013 and 2012, the stocks held in trust amounted to $1,414,163 thousand and $1,988,659 thousand, respectively. Please refer to Table 3 for more information. On the transactions, the Group recognized gains of $1,631 thousand and $9,115 thousand in the years ended December 31, 2013 and 2012, respectively. These gains were recorded under other nonoperating income.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits with original maturities of more than three months	$ 568,803	$ 423,428	$ 241,882

The market annual interest rates for time deposits with original maturities of more than three months were from 1.40% to 5.10% and from 1.60% to 2.30%, as of the years ended December 31, 2013 and 2012, respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 749,529	$ 574,292	$ 427,256
Trade receivables	$ 4,900,949	$ 3,719,043	$ 3,435,432
Less: Allowance for impairment loss	(140,802)	(84,588)	(50,788)
	$ 4,760,147	$ 3,634,455	$ 3,384,644

a. Trade receivables

The average credit period on sales of goods was from 30 to 90 days. The Group recognized an allowance for impairment loss of 100% against all receivables over 1 year because historical experience had been that receivables that are past due beyond 1 year were not recoverable. Allowance for impairment loss were recognized against trade receivables between 90 days and 1 year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
31 to 60 days	$ 102,869	$ 299,077	$ 255,214
61 to 90 days	50,581	105,687	35,581
	$ 153,450	$ 404,764	$ 290,795

b. Information on the movement in the allowance for impairment loss recognized on trade receivables

Movement in the allowance for impairment loss recognized on trade receivables was as follows:

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 84,588	$ 50,788
Impairment losses recognized from business combination	23,568	-
Add: Impairment losses recognized on receivables	36,125	36,045
Deduct: Amounts written off as uncollectible	(7,679)	(1,064)
Foreign exchange translation gains and losses	4,200	(1,181)
Balance at December 31	$ 140,802	$ 84,588

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	$ 1,706,136	$ 1,701,505	$ 1,714,333
Work in progress	656,018	618,995	537,887
Finished goods	1,145,321	1,152,589	1,274,747
Inventories in transit	523,182	417,077	368,156
	$ 4,030,657	$ 3,890,166	$ 3,895,123

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2013 and 2012 were $18,074,403 thousand and $16,743,650 thousand, respectively.

The costs of inventories recognized as cost of goods sold for the year ended December 31, 2013 included a reversal of inventory write-downs amounting to $14,039 thousand, inventory shortage amounting to $5,486 thousand, and inventory disposal amounting to $150,691 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2012 included inventory write-downs amounting to $41,013 thousand, inventory shortage amounting to $5,007 thousand, and inventory disposal amounting to $161,558 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

Name of Investee	December 31, 2013 Carrying Value	December 31, 2013 Percentage of Equity Ownership	December 31, 2012 Carrying Value	December 31, 2012 Percentage of Equity Ownership	January 1, 2012 Carrying Value	January 1, 2012 Percentage of Equity Ownership
Listed companies						
Axiomtek Co., Ltd.	$ 363,653	26.45	$ 372,944	28.86	$ 355,638	28.57
Unlisted companies						
Jan Hsiang Electronics Co., Ltd.	7,444	28.50	6,740	28.50	8,340	28.50
GPEG K&M Ltd.	31,336	25.00	-	-	-	-
	$ 402,433		$ 379,684		$ 363,978	

The fair values of publicly traded investments accounted for using the equity method are summarized as follows, based on the closing price of those investments at the balance sheet date:

	December 31, 2013	December 31, 2012	January 1, 2012
Axiomtek Co., Ltd.	$ 1,152,181	$ 602,775	$ 429,786

The summarized financial information in respect of the Group's associates is set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 1,925,214	$ 1,653,025	$ 1,526,440
Total liabilities	$ 502,746	$ 399,980	$ 334,871

	For the Year Ended December 31 2013	For the Year Ended December 31 2012
Revenue	$ 2,275,524	$ 1,746,045
Profit (loss) for the year	$ 285,448	$ 176,530
Other comprehensive income	$ 12,330	$ (20,213)

The investments accounted for by the equity method and the share of profit or loss of other comprehensive income of those investments for the years ended December 31, 2013 and 2012 was based on the associates' financial statements audited by other CPAs for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Freehold land	$ 2,916,539	$ 2,818,523	$ 2,842,023
Buildings	2,310,638	2,260,798	2,258,825
Equipment	385,528	409,455	409,492
Office equipment	185,096	160,679	197,335

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Other facilities	$ 322,652	$ 281,211	$ 295,858
Construction in progress	1,821,226	460,970	236,547
	$ 7,941,679	$ 6,391,636	$ 6,240,080

(Concluded)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Property in Construction	Total
Cost							
Balance at January 1, 2012	$ 2,842,023	$ 2,810,520	$ 1,058,027	$ 480,556	$ 778,249	$ 236,547	$ 8,205,922
Additions	-	4,835	53,517	43,472	115,643	403,443	620,910
Disposals	(17,616)	(6,427)	(31,508)	(14,804)	(15,595)	(10,195)	(96,145)
Acquisitions through business combinations	-	-	27,061	5,823	10,923	-	43,807
Reclassifications	-	141,439	64,950	30,909	(39,965)	(161,048)	36,285
Effect of exchange differences	(5,884)	(47,857)	(13,492)	(9,749)	(10,889)	(7,777)	(95,648)
Balance at December 31, 2012	$ 2,818,523	$ 2,902,510	$ 1,158,555	$ 536,207	$ 838,366	$ 460,970	$ 8,715,131
Balance at January 1, 2013	$ 2,818,523	$ 2,902,510	$ 1,158,555	$ 536,207	$ 838,366	$ 460,970	$ 8,715,131
Additions	-	2,151	75,402	79,777	87,039	1,336,303	1,580,672
Disposals	(17,089)	(31,957)	(27,010)	(16,159)	(13,745)	(8,679)	(114,639)
Acquisitions through business combinations	109,686	113,362	86,003	18,932	12,435	-	340,418
Reclassifications	-	164	(16,839)	4,968	(5,431)	(804)	(17,942)
Effect of exchange differences	5,419	82,598	24,314	17,420	21,860	33,436	185,047
Balance at December 31, 2013	$ 2,916,539	$ 3,068,828	$ 1,300,425	$ 641,145	$ 940,524	$ 1,821,226	$ 10,688,687

	Buildings	Equipment	Office Equipment	Other Facilities	Total
Accumulated depreciation and impairment					
Balance at January 1, 2012	$ 551,695	$ 648,535	$ 283,221	$ 482,391	$ 1,965,842
Disposals	(935)	(26,850)	(13,363)	(22,763)	(63,911)
Depreciation expense	90,041	118,268	59,224	82,640	350,173
Acquisition through business combination	-	22,284	4,287	7,542	34,113
Effect of exchange differences	(9,447)	(5,771)	(5,396)	(7,575)	(28,189)
Reclassifications	10,358	(7,366)	47,555	14,920	65,467
Balance at December 31, 2012	$ 641,712	$ 749,100	$ 375,528	$ 557,155	$ 2,323,495
Balance at January 1, 2013	$ 641,712	$ 749,100	$ 375,528	$ 557,155	$ 2,323,495
Disposals	(18,331)	(7,149)	(7,612)	(7,199)	(40,291)
Depreciation expense	92,160	119,784	59,422	101,275	372,641
Acquisition through business combination	20,781	49,809	12,820	6,850	90,260
Effect of exchange differences	20,546	11,650	12,546	11,422	56,164
Reclassifications	1,322	(8,297)	3,345	(51,631)	(55,261)
Balance at December 31, 2013	$ 758,190	$ 914,897	$ 456,049	$ 617,872	$ 2,747,008

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

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

Refer to Note 32 for the carrying amount of property, plant and equipment pledged by the Group to secure its borrowings.

14. GOODWILL

	For the Year Ended December 31	
	2013	2012
Cost		
Balance at January 1	$ 632,181	$ 607,363
Additional amounts recognized from business combinations during the period (Note 25)	613,820	62,931
Disposal of subsidiary during the period (Note 26)	(6,279)	-
Effect of exchange differences, net	25,936	(38,113)
Balance at December 31	$ 1,265,658	$ 632,181

15. PREPAYMENTS FOR LEASE OBLIGATION

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets (included in other current assets)	$ 3,556	$ 2,386	$ 2,461
Noncurrent assets	94,416	93,098	98,496
	$ 97,972	$ 95,484	$ 100,957

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

16. BORROWINGS

a. Short term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Secured borrowings			
Bank loans	$ 97,797	$ -	$ 7,000
Unsecured borrowings			
Line of credit borrowings	25,347	151,452	164,442
	$ 123,144	$ 151,452	$ 171,442

1) The annual weighted average effective interest rates for secured and unsecured bank borrowings were 1.18%, 1.32% to 1.63% and 1.35% to 1.63% as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

2) To meet its financing need, Netstar Technology Co., Ltd., a Company subsidiary, obtained a secured bank loan with a fixed interest rate. The carrying value was $7,000 thousand for the credit line as of January 1, 2012.

3) To meet its financing need, Advantech Technology (China) Company Ltd., a Company subsidiary, obtained an unsecured bank credit line, with a floating interest rate. The carrying values for the credit line were $146,452 thousand and $151,442 thousand as of December 31, 2012 and January 1, 2012, respectively. As of June 30, 2013, AKMC had repaid its bank loans in advance because it had sufficient funds and had no financing needs.

4) To meet its financing need, Cermate Technologies Inc., an Company subsidiary of the Company, obtained from a bank an unsecured credit line, with fixed interest rate. The carrying values of the credit line were $5,000 thousand and $13,000 thousand as of December 31, 2012 and January 1, 2012, respectively. As of June 30, 2013, Cermate Technologies Inc. had repaid its bank loans in advance considering it held sufficient funds and had no financing needs.

5) To meet its financing needs, AdvanPOS Technology Co., Ltd., a Company subsidiary, obtained a bank credit loan with a floating interest rate. The loan's carrying value was $25,000 thousand as of December 31, 2013.

6) To meet its finance needs, Advantech Brasil Ltda., a Company subsidiary, obtained a bank credit loan with a fixed interest rate. The carrying value was $347 thousand as of December 31, 2013.

7) To meet its financing needs, GPEG, a Company subsidiary, pledged some of its accounts receivable for a loan. The loan's carrying value was $97,797 thousand as of December 31, 2013.

b. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Secured borrowings			
Bank loans	$ -	$ 2,932	$ 12,652
Less: Current portion	-	(366)	(1,584)
Long-term borrowings	$ -	$ 2,566	$ 11,068

Cermate Technologies Inc., a subsidiary of the Company, obtained a mortgage bank loan for capital expenditure. This loan is repayable every one or three months at various amounts from March 2006 to March 2021. As of December 31, 2012 and January 1, 2012, the effective interest rate was 2.29%. As of June 30, 2013, Cermate Technologies Inc. had repaid its bank loans in advance considering it held sufficient funds and had no financing needs.

17. BONDS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured domestic convertible bonds	$ 18,500	$ 190,200	$ 800,000
Less: Unamortized discount on bonds payable	(152)	(5,540)	(39,669)
Less: Current portion	(18,348)	-	-
	$ -	$ 184,660	$ 760,331

On May 26, 2011, the Company issued three-year unsecured convertible bonds, with an aggregate face value of $800,000 thousand, a coupon rate of 0%, and an effective interest rate of 2.13%. Bondholders may convert the bonds into the Company's common shares at an agreed conversion price between May 27, 2012 and May 16, 2014. If the bonds are not converted, the Company should redeem the bonds at their face value upon maturity. According to the Statement of International Accounting Standard No. 32 "Financial Instruments: Disclosures" the Company has bifurcated the bonds into liability and equity components. The bonds had been recorded as stock options from capital surplus amounting to $44,716 thousand and as bonds payable amounting to $750,943 thousand. As of December 31, 2013, the bonds that had been converted into 9,903 thousand shares amounted to $781,500 thousand. The conversion price was $75.55 per share at the end of the year.

18. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Other payables			
Salaries or bonuses payable	$ 1,790,658	$ 1,256,296	$ 981,384
Payable for royalties	88,992	61,870	61,843
Payable for employee benefits	110,196	89,795	90,297
Others	1,022,063	666,766	604,878
	$ 3,011,909	$ 2,074,727	$ 1,738,402

Payables for employee benefits consisted of accruals toward employee annual holidays and holiday benefits for long-term services.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. In compliance with the LPA, the recognized pension costs was $105,056 thousand and $93,365 thousand as of December 31, 2013 and 2012, respectively.

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

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

Recognized retirement costs in accordance with local laws were $99,916 thousand for 2013 and $75,518 thousand for 2012.

b. Defined benefit plans

The Company, Netstar Technology Co., Ltd, and Cermate Technology Inc. have defined benefit plans under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company, Netstar Technology Co., Ltd, and Cermate Technology Inc. each contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by pension fund monitoring committees. Pension contributions are deposited in the Bank of Taiwan in the committees' name.

Through self-management or a trust, the pension fund monitoring committees allocate the pension assets to domestic and foreign equity securities, debt securities, and bank deposits. Based on the Implementation Rules of the Labor Pension Act, the overall expected rate of return cannot be lower than the interest rate for local banks' two-year time deposits.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2013		
	Advantech Co., Ltd.	**Netstar**	**Cermate**
Discount rates	1.875%	1.875%	2.000%
Expected rates of salary increase	3.250%	2.250%	3.000%
Expected return on plan assets	2.000%	2.000%	2.000%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	December 31, 2012		
	Advantech Co., Ltd.	**Netstar**	**Cermate**
Discount rates	1.625%	1.625%	1.625%
Expected rates of salary increase	3.250%	2.250%	3.000%
Expected return on plan assets	1.875%	1.875%	1.875%

	January 1, 2012	
	Advantech Co., Ltd.	**Netstar**
Discount rates	1.750%	1.750%
Expected rates of salary increase	3.250%	2.000%
Expected return on plan assets	2.000%	2.000%

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, taking into consideration the pension asset allocation and the requested minimum rate of return.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	December 31, 2013		
	Advantech Co., Ltd.	**Netstar**	**Cermate**
Current service cost	$ 2,716	$ -	$ -
Interest cost	4,280	268	50
Expected return on plan assets	(2,281)	(150)	(37)
Past service cost	-	561	-
	$ 4,715	$ 679	$ 13

	December 31, 2012		
	Advantech Co., Ltd.	Netstar	Cermate
Current service cost	$ 3,417	$ -	$ 542
Interest cost	4,913	388	80
Expected return on plan assets	(2,449)	(152)	(32)
Past service cost	-	561	-
	$ 5,881	$ 797	$ 590

	For the Year Ended December 31	
	2013	2012
An analysis by function		
Operating cost	$ 1,028	$ 1,608
Marketing expenses	798	934
Administration expenses	1,399	2,048
Research and development expenses	2,182	2,678
	$ 5,407	$ 7,268

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was $9,069 thousand and $10,162 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $1,093 thousand and $10,162 thousand, respectively.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31, 2013		
	Advantech Co., Ltd.	Netstar	Cermate
Present value of funded defined benefit obligation	$ (279,115)	$ (15,594)	$ (3,121)
Fair value of plan assets	124,931	8,258	2,172
Deficit	(154,184)	(7,336)	(949)
Past service cost not yet recognized	-	5,605	-
Net liability arising from defined benefit obligation	$ (154,184)	$ (1,731)	$ (949)

	December 31, 2012		
	Advantech Co., Ltd.	Netstar	Cermate
Present value of funded defined benefit obligation	$ (263,402)	$ (16,482)	$ (3,090)
Fair value of plan assets	116,527	7,832	1,803
Deficit	(146,875)	(8,650)	(1,287)
Past service cost not yet recognized	-	6,165	-
Net liability arising from defined benefit obligation	$ (146,875)	$ (2,485)	$ (1,287)

	January 1, 2012	
	Advantech Co., Ltd.	Netstar
Present value of funded defined benefit obligation	$ (280,726)	$ (22,189)
Fair value of plan assets	116,891	7,353
Deficit	(163,835)	(14,836)
Past service cost not yet recognized	-	6,726
Net liability arising from defined benefit obligation	$ (163,835)	$ (8,110)

Movements in the present value of the defined benefit obligations were as follows:

	December 31, 2013		
	Advantech Co., Ltd.	Netstar	Cermate
Opening defined benefit obligation	$ 263,402	$ 16,482	$ 3,090
Current service cost	2,716	-	-
Interest cost	4,280	268	50
Actuarial losses (gains)	10,677	(1,156)	(19)
Benefits paid	(1,960)	-	-
Closing defined benefit obligation	$ 279,115	$ 15,594	$ 3,121

	December 31, 2012		
	Advantech Co., Ltd.	Netstar	Cermate
Opening defined benefit obligation	$ 280,726	$ 22,189	$ 4,550
Current service cost	3,417	-	542
Interest cost	4,913	388	80
Actuarial losses (gains)	(13,681)	(6,095)	(2,082)
Benefits paid	(11,973)	-	-
Closing defined benefit obligation	$ 263,402	$ 16,482	$ 3,090

Movements in the fair value of the plan assets were as follows:

	December 31, 2013		
	Advantech Co., Ltd.	Netstar	Cermate
Opening fair value of plan assets	$ 116,527	$ 7,832	$ 1,803
Expected return on plan assets	2,281	150	37
Actuarial gains (losses)	(791)	(49)	(13)
Contributions from the employer	8,874	325	345
Benefits paid	(1,960)	-	-
Closing fair value of plan assets	$ 124,931	$ 8,258	$ 2,172

	December 31, 2012		
	Advantech Co., Ltd.	Netstar	Cermate
Opening fair value of plan assets	$ 116,891	$ 7,352	$ 1,439
Expected return on plan assets	2,449	152	32
Actuarial gains (losses)	(1,438)	(78)	(16)
Contributions from the employer	10,598	406	348
Benefits paid	(11,973)	-	-
Closing fair value of plan assets	$ 116,527	$ 7,832	$ 1,803

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Labor Pension Fund Supervisory Committee:

	Fair Value of Plan Assets (%)			
	December 31, 2013			
	Advantech Co., Ltd.	Netstar and Cermate	December 31, 2012	January 1, 2012
Cash	22.86	22.17	23.39	22.76
Short-term transactions instruments	4.10	4.34	10.45	8.12
Government loan	-	-	0.07	0.20
Debt instruments	9.37	9.83	11.00	11.49
Fixed-income investments	18.11	19.11	16.06	16.17
Equity instruments	44.77	43.64	38.29	41.26
Others	0.79	0.91	0.74	-
	100.00	100.00	100.00	100.00

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs. Refer to Note 37 for more detailed information.

	December 31, 2013		
	Advantech Co., Ltd.	Netstar	Cermate
Present value of defined benefit obligation	$ (279,115)	$ (15,594)	$ (3,121)
Fair value of plan assets	124,931	8,258	2,172
Deficit	$ (154,184)	$ (7,336)	$ (949)
Experience adjustments on plan liabilities	$ (20,332)	$ 554	$ (177)
Experience adjustments on plan assets	$ (791)	$ (49)	$ (13)

	December 31, 2012		
	Advantech Co., Ltd.	Netstar	Cermate
Present value of defined benefit obligation	$ (263,402)	$ (16,482)	$ (3,090)
Fair value of plan assets	116,527	7,832	1,803
Deficit	$ (146,875)	$ (8,650)	$ (1,287)
Experience adjustments on plan liabilities	$ 13,681	$ 6,096	$ 2,082
Experience adjustments on plan assets	$ (1,438)	$ (78)	$ (16)

	January 1, 2012	
	Advantech Co., Ltd.	Netstar
Present value of defined benefit obligation	$ (280,726)	$ (22,189)
Fair value of plan assets	116,891	7,353
Deficit	$ (163,835)	$ (14,836)
Experience adjustments on plan liabilities	$ -	$ -
Experience adjustments on plan assets	$ -	$ -

The Group expects to make contributions of $8,153 thousand and $10,979 thousand to the defined benefit plans in 2014 and 2013, respectively.

20. EQUITY

a. Share capital

Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	600,000	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	569,400	563,997	552,996
Shares issued	$ 5,694,000	$ 5,639,971	$ 5,529,961

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

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares and conversion of bonds) 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 once a year at a certain percentage of the Company’s capital surplus).

The capital surplus from long-term investments and employee share options may not be used for any purpose.

c. Retained earnings and dividend policy

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

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

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

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

For the years ended December 31, 2013 and 2012, the bonuses to employees and remunerations to directors and supervisors were $82,000 thousand and $72,000 thousand (included in other payables), respectively. These amounts were estimated and accrued on the basis of past experience. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimates. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of at the share bonus by the fair value of the shares. The fair value of the shares refers to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of shareholders' other equity items shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before 2012 shall be made.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the company has earnings and the original need to appropriate a special reserve is not eliminated.

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 a 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.

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 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.

The appropriation of earnings for 2012 and 2011 were approved in the shareholders' meetings on June 13, 2013 and June 13, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 346,239	$ 355,274	$ -	$ -
Special reserve (reversal)	(545,303)	(76,359)	-	-
Cash dividends	2,763,586	2,764,981	4.9	5.0

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 13, 2013 and June 13, 2012, respectively, were as follows:

	Cash Dividends For the Year Ended December 31	
	2012	**2011**
Bonus to employees	$ 60,000	$ 60,000
Remuneration to directors and supervisors	12,000	12,000

The appropriations from the earnings for 2012 were proposed according to the Company's financial statements for 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and Generally Accepted Accounting Standard in the Republic of China, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

There was no significant difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2013 and 2012 and the amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

c. Dividends

The appropriations of earnings for 2013 had been proposed by the Company's board of directors on March 28, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 410,640	$ -
Cash dividends	3,017,820	5.3
Preferred stock dividends	569,400	1.0

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution of the shareholders' meeting to be held on June 18, 2014.

Information on bonuses to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Foreign currency translation reserve

	For the Year Ended December 31	
	2013	**2012**
Balance at January 1	$ (104,345)	$ 105,408
Exchange differences arising on translating the foreign operations	272,860	(228,934)
Gain on disposal of foreign operations reclassified to profit or loss	5,650	-
Income tax relating to gains arising on translating the net assets of foreign operations	(48,007)	21,372
Share of exchange difference of associates accounted for using the equity method	3,883	(2,191)
Balance at December 31	$ 130,041	$ (104,345)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

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

	For the Year Ended December 31	
	2013	**2012**
Balance at January 1	$ 168,944	$ (648,592)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	(175,298)	874,521
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(69,180)	(56,985)
Balance at December 31	$ (75,534)	$ 168,944

Unrealized gain or loss from available-for-sale financial assets refers to the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

e. Noncontrolling interests

	For the Year Ended December 31	
	2013	**2012**
Balance at January 1	$ 107,891	$ 99,158
Attributable to noncontrolling interests:		
Share of profit for the year	20,812	19,327
Exchange difference arising on translation of foreign entities	4,431	(5,335)
Acquisition of noncontrolling interests in Subsidiaries (Note 25)	44,487	-
Acquisition of noncontrolling interests in Subsidiaries (Note 27)	(15,730)	(5,259)
Balance at December 31	$ 161,891	$ 107,891

21. NET OPERATING PROFIT

a. Finance costs

	For the Year Ended December 31	
	2013	2012
Interest on bank overdrafts and loans	$ 8,634	$ 8,496
Interest on convertible bonds	2,768	11,854
	$ 11,402	$ 20,350

b. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
An analysis of depreciation by function		
Operating costs	$ 113,592	$ 101,492
Operating expenses	259,049	248,681
	$ 372,641	$ 350,173
An analysis of amortization by function		
Operating costs	$ 4,525	$ 7,747
Operating expenses	106,722	83,093
	$ 111,247	$ 90,840

c. Employee benefits expense

	For the Year Ended December 31	
	2013	2012
Post-employment benefits (Note 19)		
Defined contribution plans	$ 204,972	$ 168,883
Defined benefit plans	5,407	7,268
	210,379	176,151
Other employee benefits	6,403,981	5,470,933
Total employee benefits expense	$ 6,614,360	$ 5,647,084
An analysis of employee benefits expense by function		
Operating costs	$ 1,413,011	$ 1,265,082
Operating expenses	5,201,349	4,382,002
	$ 6,614,360	$ 5,647,084

22. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 782,612	$ 625,189
In respect of prior periods	120,404	31,736
Income tax expense for unappropriated earnings	89,810	50,894
	992,826	707,819
Deferred tax		
In respect of the current year	48,511	38,164
Income tax expense recognized in profit or loss	$ 1,041,337	$ 745,983

A reconciliation of accounting profit and income tax expenses/average effective tax rate and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2013	2012
Profit before tax from continuing operations	$ 5,168,546	$ 4,237,101
Income tax expense calculated at the statutory rate	$ 1,186,411	$ 970,194
Nondeductible expenses in determining taxable income	611	(1,599)
Tax-exempt income	(178,105)	(131,521)
Additional income tax on unappropriated earnings	89,810	50,894
Unrecognized investment credits in the current year	(93,009)	(106,668)
Unrecognized loss carryforwards in the current year	(27,101)	(8,016)
Unrecognized unappropriated earnings of subsidiaries	(61,620)	(59,037)
Adjustments for prior years' tax	120,404	31,736
Others	3,936	-
Income tax expense recognized in profit or loss	$ 1,041,337	$ 745,983

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

As the status of 2014 appropriations of earnings is uncertain, the potential income tax consequences of 10% income tax rate of 2013 unappropriated earnings are not readily determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2013	2012
Deferred tax liabilities		
Recognized in other comprehensive income		
Actuarial gain or loss on defined benefit plan	$ 1,760	$ (3,455)
Translation of foreign operations	(48,007)	21,372
	$ (46,247)	$ 17,917

c. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax liabilities			
Income tax payable	$ 695,945	$ 324,613	$ 407,157

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, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 43,572	$ (1,604)	$ -	$ 41,968
Unrealized loss of inventory write-down	34,710	(13,222)	-	21,488
Loss carryforwards	13,081	(216)	-	12,865
	17,302	(479)	-	16,823
Unrealized warranty liabilities	11,999	(4,985)	-	7,014
Actuarial gains on defined benefit plans	-	-	1,949	1,949
Unrealized exchange losses (gains)	(7,759)	9,098	-	1,339
Exchange difference on foreign operations	21,372	-	(21,372)	-
Doubtful debts in excess of limitation	9,103	(9,103)	-	-
Others	24,006	16,595	-	40,601
	$ 167,386	$ (3,916)	$ (19,423)	$ 144,047
Deferred tax liabilities				
Temporary differences				
Undistributed earnings of subsidiaries	$ 541,719	$ 46,491	$ -	$ 588,210
Exchange difference on foreign operations	-	-	26,635	26,635
Actuarial gains on defined benefit plans	3,455	-	189	3,644
Unrealized exchange losses (gains)	391	908	-	1,299
Others	6,614	(2,804)	-	3,810
	$ 552,179	$ 44,595	$ 26,824	$ 623,598

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 34,028	$ 9,544	$ -	$ 43,572
Unrealized loss of inventory write-down	35,760	(1,050)	-	34,710
Investment credits	13,394	(13,394)	-	-
Loss carryforwards	-	13,081	-	13,081
Exchange difference on foreign operation	-	-	21,372	21,372
Actuarial gains on defined benefit plans	17,465	(163)	-	17,302
Unrealized warranty liabilities	21,606	(9,607)	-	11,999
Unrealized exchange losses (gains)	5,146	(12,905)	-	(7,759)
Doubtful debts in excess of limitation	6,497	2,606	-	9,103
Others	11,310	12,696	-	24,006
	$ 145,206	$ 808	$ 21,372	$ 167,386
Deferred tax liabilities				
Temporary differences				
Undistributed earnings of subsidiaries	$ 507,467	$ 34,252	$ -	$ 541,719
Actuarial gains on defined benefit plans	-	-	3,455	3,455
Unrealized exchange losses (gains)	-	391	-	391
Others	2,285	4,329	-	6,614
	$ 509,752	$ 38,972	$ 3,455	$ 552,179

e. Items for which no deferred tax assets have been recognized

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards			
2013	$ -	$ 23,482	$ 23,482
2014	-	17,953	17,953
2015	-	2,874	6,235
2016	-	-	50,012
2017	50,623	130,135	153,124
2018	138,167	143,872	162,829
2019	91,151	82,985	98,065
2020	87,597	87,599	107,806
2021	27,392	83,424	-
2022	13,126	1,088	-
	$ 408,056	$ 573,412	$ 619,506
Deductible temporary differences			
Accumulative losses of subsidiaries	$ 1,315	$ 710	$ -

f. Information about unused investment credits, unused loss carryforwards and tax-exemption

As of December 31, 2013, investment tax credits comprised of:

	Remaining Creditable Amount					
Losses Occurred	**Netstar**	**Cermate**	**Advantech Fund-A**	**ACA Digital Corp.**	**AdvanPOS Technology Co., Ltd.**	**Expiry Year**
2007	$ -	$ 12,763	$ 22,052	$ 28,025	$ 3,600	2017
2008	25,054	-	-	94,789	37,282	2018
2009	-	7,099	-	75,401	29,410	2019
2010	7,027	-	-	100,712	-	2020
2011	10,905	-	-	-	16,487	2021
2012	-	-	-	-	13,126	2022
	$ 42,986	$ 19,862	$ 22,052	$ 298,927	$ 99,905	

As of December 31, 2013, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Company Name	Expansion Of Construction Project	Tax-Exemption Period
Advantech Co., Ltd. (the parent company)	Investments in production of intelligent-integrated commodities	2011-2015

g. Unrecognized deferred tax liabilities associated with investments

As of December 31, 2013, December 31, 2012 and January 1, 2012, the taxable temporary differences associated with investment in subsidiaries and branch for which no deferred tax liabilities have been recognized were $62,935 thousand, $59,747 thousand and $0 thousand, respectively.

h. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	$ 5,452,733	$ 3,952,535	$ 3,524,919
Imputation credits accounts	$ 521,664	$ 349,345	$ 209,393

The creditable ratio for distribution of earnings of 2013 and 2012 was 9.57% (expected ratio) and 10.88%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

i. Income tax assessments

The tax returns through 2008 have been assessed by the tax authorities. The Company and subsidiaries disagreed with the tax authorities' assessment of its 2008 tax return and applied for a re-examination. Nevertheless, to be conservative, the Company and its subsidiaries provided for the income tax assessed by the tax authorities.

23. EARNINGS PER SHARE

	For the Year Ended December 31	
	2013	2012
Basic earnings per share	$ 7.26	$ 6.23
Diluted earnings per share	$ 7.20	$ 6.17

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

Net Profit for the Period

	For the Year Ended December 31	
	2013	2012
Earnings used in the computation of basic earnings per share	$ 4,106,397	$ 3,471,791
Effect of dilutive potential ordinary shares:		
Convertible bonds	2,768	11,854
Employee share options	16,528	37,687
Earnings used in the computation of diluted earnings per share	$ 4,125,693	$ 3,521,332

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

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of basic earnings per share	565,866	556,959
Effect of dilutive potential ordinary shares:		
Convertible bonds	1,750	7,351
Employee share options	5,106	6,146
Bonuses issued to employees	339	511
Weighted average number of ordinary shares used in the computation of diluted earnings per share	573,061	570,967

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus 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, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 3,000 thousand options in July 2010 and 10,000 thousand options in December 2009. Each option entitles the holder to subscribe for one thousand common shares of the Company. The holders of these shares include employees whom meet certain criteria from the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in July 2010 and December 2009 are valid for five years. Both are exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the grant date. 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 as of December 31, 2013 and 2012 is as follows:

	For the Year Ended December 31			
	2013		2012	
Employee Share Options	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	8,450	$50.46	11,801	$53.05
Options exercised	3,150	49.13	3,351	51.08
Balance at December 31	5,300	48.80	8,450	50.46
Options exercisable, end of year	5,300	48.80	8,450	50.46
Weighted-average fair value of options granted (NT$)	$16.45-$20.45		$16.45-$20.45	

Information on outstanding options for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2013		December 31, 2012	
Employee Share Options	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**
Issuance in 2010	$54.2	1.53	$56.1	2.53
Issuance in 2009	46.7	0.92	48.4	1.92

Options granted in 2010 were priced using the Black-Scholes model, and the inputs to the model were as follows:

Grant-date share price (NT$)	67.4
Exercise price (NT$)	67.4
Expected volatility	34.11%-35.15%
Expected life (years)	3.5-4.5
Expected dividend yield	0%
Risk-free interest rate	0.92%-1.10%

Options granted in 2009 were priced using the Black-Scholes model, and the inputs to the model were as follows:

Grant-date share price (NT$)	61.9
Exercise price (NT$)	61.9
Expected volatility	33.78%-35.22%
Expected life (years)	3.5-4.5
Expected dividend yield	0%
Risk-free interest rate	0.58-0.79%

Expected volatility is based on the historical stock price volatility over the past five years.

Compensation costs recognized were $19,913 thousand for 2013 and $45,406 thousand for 2012.

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
GPEG International Ltd.	Production and sale of embedded intelligent monitoring systems	November 18, 2013	100.00	$ 278,641
Advantech - LNC Technology Co., Ltd.	Production and sale of machine control solutions	August 30, 2013	99.97	$ 729,787
AdvanPOS Technology Co., Ltd.	Production and sale of POS systems	July 31, 2013	70.19	$ 319,461
Advansus Corp.	Production and sale of industrial automation products	January 2, 2012	50.00	$ 306,000

To expand the markets for the gaming industry and embedded intelligent monitoring systems in Europe, the Group acquired 100% equity of GPEG International Ltd., a British supplier of embedded intelligent monitoring systems. After the acquisition, the target entity will be known as Advantech - GPEG and will lead the Group in growing its market in Europe.

The Group acquired 99.97% equity of LNC Technology Co., Ltd., a subsidiary of Pou Chen Group, and renamed it Advantech - LNC Technology Co., Ltd. In addition to cultivating the existing business of machine control solution, the Company will develop the field of robotics and intelligent control platform, expanding the market of automatic control.

The Group acquired 70.19% equity of AdvanPOS Technology Co., Ltd. to expand the new retail market of intelligent products. After acquisition, AdvanPOS Technology Co., Ltd. keeps its name and focuses on extending the area of POS system.

The Group acquired 50% equity of Advansus Corp. from Pegatron Corp. to facilitate the Company’s business expansion and improve its economic returns. After this acquisition, the Company’s equity in Advansus Corp. became 100%.

b. Considerations transferred

	For the Year Ended December 31 2013 GPEG International Ltd.	2013 Advantech - LNC Technology Co., Ltd.	2013 AdvanPOS Technology Co., Ltd.	2012 Advansus Corp.
Cash	$ 278,641	$ 729,787	$ 319,461	$ 306,000

On November 18, 2013, the Group acquired 100% equity in GPEG International Ltd. for £5,850 thousand at £26.45 per share. The consideration payable will be in four annual installments from the acquisition date with the first installment of NT$136,534 thousand paid in 2013.

The Group acquired 99.97% equity in Advantech - LNC Technology Co., Ltd. for $729,787 thousand at NT$14.6 per share on August 30, 2013. The Company also acquired 70.19% equity in AdvanPOS Technology Co., Ltd. for $319,461 thousand at NT$25 per share on July 31, 2013.

The Group acquired 50% of Advansus Corp. for $306,000 thousand at NT$17 per share. The Company paid $126,000 thousand of the acquisition price as of March 31, 2012 and the remaining $180,000 thousand on June 30, 2012.

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

	For the Year Ended December 31 2013 GPEG International Ltd.	2013 Advantech - LNC Technology Co., Ltd.	2013 AdvanPOS Technology Co., Ltd.	2012 Advansus Corp.
Current assets				
Cash and cash equivalents	$ 33,634	$ 250,638	$ 84,781	$ 258,170
Financial assets available-for-sale - current	-	-	-	80,030
Notes receivable	-	40,541	2,592	-
Trade receivables	132,083	110,266	26,703	231,215
Inventories	11,443	134,261	77,983	249,659
Other receivables	-	13,607	4,290	-
Other current assets	6,609	15,701	7,877	4,008
Noncurrent assets				
Plant and equipment	4,527	33,391	212,240	19,387
Investments accounted for using equity method	30,270	-	-	-
Other noncurrent assets	-	3,004	1,803	3,447
Current liabilities				
Trade and other payables	(85,819)	(99,871)	(67,748)	(330,992)
Tax liabilities	(16,255)	(916)	-	(11,986)
Other current liabilities	(95)	(7,192)	(1,792)	(16,800)
Noncurrent liabilities				
Long-term borrowings	-	-	(200,000)	-
	116,397	493,430	148,729	486,138
Percentage of equity interest acquired	100.00%	99.97%	70.19%	50.00%
Net amount	$ 116,397	$ 493,282	$ 104,393	$ 243,069

d. Goodwill arising on acquisition

	For the Year Ended December 31			
	2013			2012
	GPEG International Ltd.	Advantech - LNC Technology Co., Ltd.	AdvanPOS Technology Co., Ltd.	Advansus Corp.
Consideration transferred	$ 278,641	$ 729,787	$ 319,461	$ 306,000
Add: Noncontrolling interest (0.03% of ownership equity of Advantech - LNC Technology Co., Ltd.)	-	151	-	-
Add: Noncontrolling interest (29.81% of ownership equity of AdvanPOS Technology Co., Ltd.)	-	-	44,336	-
Less: Fair value of identifiable net assets acquired	(116,397)	(493,430)	(148,729)	(243,069)
Goodwill arising on acquisition	$ 162,244	$ 236,508	$ 215,068	$ 62,931

Goodwill arising in the acquisition of GPEG International Ltd., Advantech - LNC Technology Co., Ltd., AdvanPOS Technology Co., Ltd., and Advansus Corp. resulted from the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of acquiree companies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on acquisition of subsidiaries

	For the Year Ended December 31	
	2013	2012
Consideration paid in cash	$ 1,185,782	$ 306,000
Less: Cash and cash equivalent balances acquired	(369,053)	(129,085)
	$ 816,729	$ 176,915

f. Impact of acquisitions on the results of the Group

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

	For the Year Ended December 31	
	2013	2012
Revenue		
GPEG International Ltd.	$ 57,020	$ -
Advantech - LNC Technology Co., Ltd.	$ 115,118	$ -
AdvanPOS Technology Co., Ltd.	$ 179,836	$ -
Advansus Corp.	$ -	$ 2,798,307

(Continued)

	For the Year Ended December 31	
	2013	2012
Profit (loss)		
GPEG International Ltd.	$ (1,719)	$ -
Advantech - LNC Technology Co., Ltd.	$ (23,973)	$ -
AdvanPOS Technology Co., Ltd.	$ (2,055)	$ -
Advansus Corp.	$ -	$ 126,494

(Concluded)

26. DISPOSAL OF SUBSIDIARIES

As of June 30, 2013, the Group had disposed 100% of its equity interests in BCM Embedded Computer Inc. (BCM), which manufactured telecommunications equipment and electronic parts. The subsidiary was disposed of because of an analysis indicating a decline in the subsidiary's business scope and its failure to improve the Group's economic returns and resource use. On June 30, 2013, this disposal was completed and control of BCM was passed to the acquirer.

a. Consideration received from the disposal

	BCM Embedded Computer Inc.
Consideration received in cash and cash equivalents	$ 13,500

b. Analysis of asset and liabilities on the date control was lost

	BCM Embedded Computer Inc.
Current assets	
Cash and cash equivalents	$ 1,846
Available-for-sale financial assets - current	10,609
Other current assets	32
Noncurrent assets	
Property, plant and equipment	1
Current liabilities	
Other current liabilities	(786)
Net assets disposed of	$ 11,702

c. Loss on disposal of subsidiary

	For the Year Ended December 31, 2013
Consideration received	$ 13,500
Net assets disposed of	(11,702)
Goodwill	(6,279)
Unrealized gain from available-for-sale financial - assets reclassified from equity to profit or loss on loss of control of subsidiary	109
Loss on disposal	$ (4,372)

d. Net cash inflow on disposal of subsidiary

	For the Year Ended December 31, 2013
Consideration received in cash and cash equivalents	$ 13,500
Less: Cash and cash equivalent balances disposed of	(1,846)
	$ 11,654

27. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

In October and December 2013, the Group acquired an additional 0.30% and 0.34% interest in ACA Digital Corp., increasing its interest from 99.36% to 100%.

In November 2013, the Group acquired an additional 20% interest in Advantech Brasil Ltda., increasing its interest from 60% to 80%.

In November 2013 the Group acquired additional 0.03% interest in Advantech - LNC Technology Co., Ltd., increasing from 99.97% to 100%.

In 2013 and 2012 the Group acquired an additional 1.21% and 4.49% interest in Netstar Technology Service increasing its interest from 94.28% to 95.49% and 89.79% to 94.28%, respectively.

	For the Year Ended December 31	
	2013	2012
Cash consideration paid	$ (48,338)	$ (13,486)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	15,730	5,259
Differences arising from equity transaction	$ (32,608)	$ (8,227)
Line items adjusted for equity transaction		
Retained earnings	$ (32,608)	$ (8,227)

28. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Lease arrangements

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

As of December 31, 2013, December 31, 2012 and January 1, 2013, refundable deposits for the operating leases were $24,123 thousand, $22,015 thousand, and $14,657 thousand respectively, which were included in noncurrent assets.

Recognized as expenses

	For the Year Ended December 31	
	2013	2012
Rental expenses	$ 114,052	$ 108,905

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2012.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group. The Group is not subject to any externally imposed capital requirements.

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

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, the management believed that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximated their fair values:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Financial liabilities measured at amortized cost						
Convertible bonds	$ 18,348	$ 49,656	$ 184,660	$ 280,375	$ 760,331	$ 810,484

2) Fair value measurements recognized in the balance sheets

Financial instruments are analyzed after initial recognition at fair value and are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (FVTPL)				
Derivative financial assets	$ -	$ 2,723	$ -	$ 2,723
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,885,351	$ -	$ -	$ 1,885,351
Unlisted securities - ROC				
Equity securities	-	-	1,875	1,875
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	2,056,368	-	-	2,056,368
	$ 3,941,719	$ -	$ 35,132	$ 3,976,851
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 23,722	$ -	$ 23,722

December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 16,879	$ -	$ 16,879
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,313,945	$ -	$ -	$ 2,313,945
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	1,495,111	-	-	1,495,111
	$ 3,809,056	$ -	$ 33,257	$ 3,842,313
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 9,620	$ -	$ 9,620

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 57,204	$ -	$ 57,204
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,349,704	$ -	$ -	$ 2,349,704
Unlisted securities - ROC				
Equity securities	-	-	33,257	33,257
Mutual funds	833,866	-	-	833,866
	$ 3,183,570	$ -	$ 33,257	$ 3,216,827
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 53,516	$ -	$ 53,516

As of December 31, 2013 and 2012, there were no transfers between Level 1 and 2 in the current and prior periods.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices. Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.

b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Group were consistent with those that market participants would use in setting a price for the financial instrument.

The fair values of forward contracts are estimated using a yield curve, which projects future interest rate changes in relation to predetermined settlement rates for these contracts on maturity.

c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Fair value through profit or loss (FVTPL)			
Designated as at FVTPL	$ 2,723	$ 16,879	$ 57,204
Loans and receivables (Note 1)	8,935,573	7,976,010	6,384,396
Available-for-sale financial assets (Note 2)	3,976,851	3,842,313	3,216,827
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Designated as at FVTPL	23,722	9,620	53,516
Measured at amortized cost (Note 3)	6,156,944	4,741,019	4,392,632

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, note receivables, trade receivables and other receivables.

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

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, accrued convertible bonds with maturity less than 1 year and long-term borrowings.

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed it to foreign currency risk. The Group's sales were denominated in currencies other than the functional currency of the group entity making the sale; likewise the costs were denominated in the group entity's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts.

Since these forward exchange contracts with maturity of less than 6 months did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are presented in New Taiwan dollar amounts, as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Assets			
RMB	$ 3,332,046	$ -	$ -
USD	3,057,863	4,459,875	3,424,850
EUR	776,618	758,525	818,687
Liabilities			
USD	3,349,757	4,811,871	3,971,804
RMB	1,231,279	-	-

The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period are presented in New Taiwan dollar amounts, as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Assets			
USD	$ 390	$ 9,858	$ 444
EUR	16	55	56,517
JPY	2,317	6,966	243
	$ 2,723	$ 16,879	$ 57,204
Liabilities			
USD	$ 5,221	$ 163	$ 49,903
EUR	18,486	9,457	3,613
JPY	15	-	-
	$ 23,722	$ 9,620	$ 53,516

Sensitivity analysis

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

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

	U.S. Dollar Impact		**Euro Impact**		**Chinese Yuan Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Profit or loss	$ (30,259) (Note 1)	$ 25,251 (Note 1)	$ 8,013 (Note 2)	$ 12,909 (Note 2)	$ (18,718) (Note 3)	$ - (Note 3)

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

Note 3: This was mainly attributable to the exposure outstanding on Chinese Yuan denominated cash, trade receivables and trade payables.

b) Interest rate risk

The Group's floating-rate bank savings are exposed to risk on changes in interest rates for financial assets. The Group was also exposed to risk on changes in interest rates for financial liabilities, specifically fixed and floating-rate bank borrowings. The Group was not engaged in hedging activities for speculative purposes. The Group's management monitors fluctuations in market interest rates regularly to ensure that interest rate risks are minimized.

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

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Fair value interest rate risk			
Financial assets	$ 1,203,088	$ 1,309,802	$ 280,019
Financial liabilities	347	7,932	32,652
Cash flow interest rate risk			
Financial assets	2,115,055	2,119,181	1,886,373
Financial liabilities	122,797	146,452	151,442

Sensitivity analysis

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

Had interest rates been 50 basis points higher and all other variables had been held constant, the Group's pretax profit for the years ended December 31, 2013 and 2012 would have increased by $9,961 thousand and $9,864 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pretax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and open-end mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

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

Had equity prices been 1% higher, pretax other comprehensive gains for the years ended December 31, 2013 and 2012 would have increased by $39,417 thousand and $38,091 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pretax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

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

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group had available unutilized overdraft and short-term bank loan facilities of approximately $3,416,360 thousand, $2,972,600 thousand, and $2,401,000 thousand, respectively.

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

The following table details the Groups 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 Group will be required to pay. The tables included both interest and principal cash flows. Specifically bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other nonderivative financial liabilities were based on agreed repayment dates.

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

December 31, 2013

	Weighted Average Effective Interest Rate (%)	**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		$ 3,609,558	$ 1,554,594	$ 743,274	$ -
Variable interest rate 1.82%-1.85% liabilities	0.5-1.18	269	537	125,219	-
Fixed interest rate 0.8%	0.8	29	58	262	-
		$ 3,609,856	$ 1,555,189	$ 868,755	$ -

December 31, 2012

	Weighted Average Effective Interest Rate (%)	**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		$ 1,309,170	$ 2,330,508	$ 760,009	$ 184,660
Variable interest rate liabilities	1.30-1.32	155	476	147,709	-
Fixed interest rate liabilities	1.47-2.29	5,012	100	326	2,894
		$ 1,314,337	$ 2,331,084	$ 908,044	$ 187,554

January 1, 2012

	Weighted Average Effective Interest Rate (%)	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		$ 1,024,408	$ 1,967,139	$ 452,804	$ 760,331
Variable interest rate liabilities	1.30-1.32	162	496	152,752	-
Fixed interest rate liabilities	1.47-2.29	46	16,474	5,407	12,613
		$ 1,024,616	$ 1,984,109	$ 610,963	$ 772,944

The amounts included above for variable interest rate instruments for both nonderivative financial assets and liabilities were subject to change if variable interest rates at the end of the reporting period differed from estimates of interest rates.

The following tables detailed the Group's liquidity analysis of its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that were settled on a net basis.

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Gross settled				
Foreign exchange forward contracts				
Inflows	$ 324,748	$ 552,632	$ 405,861	$ 1,283,241
Outflows	330,514	560,089	413,637	1,304,240
	$ (5,766)	$ (7,457)	$ (7,776)	$ (20,999)

December 31, 2012

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Gross settled				
Forward exchange contracts				
Inflows	$ 368,157	$ 1,148,748	$ 333,113	$ 1,850,018
Outflows	363,794	1,144,847	334,118	1,842,759
	$ 4,363	$ 3,901	$ (1,005)	$ 7,259

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Gross settled				
Forward exchange contracts				
Inflows	$ 450,421	$ 941,229	$ 772,797	$ 2,164,447
Outflows	459,758	943,771	757,230	2,160,759
	$ (9,337)	$ (2,542)	$ 15,567	$ 3,688

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

Related Party	For the Year Ended December 31 2013	2012
Associates	$ 68,057	$ 36,784

b. Purchases of goods

Related Party	For the Year Ended December 31 2013	2012
Associates	$ 19,141	$ 20,814

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

Related Party	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 6,579	$ 3,377	$ 3,464

The outstanding trade receivables from related parties are unsecured. No expense was recognized for the years ended December 31, 2013 and 2012 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

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

Related Party	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 1,784	$ 1,286	$ 1,284

The outstanding trade payables from related parties are unsecured.

e. Other transactions with related parties

Related Party	Operating Expenses For the Year Ended December 31 2013	2012
Rental expenses		
Other related parties	$ 8,851	$ 8,851

Related Party	Other income For the Year Ended December 31 2013	2012
Other		
Other related parties	$ 2,000	$ 2,000
Associates	-	1,322
	$ 2,000	$ 3,322

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

f. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2013 and 2012 were as follows:

	For the Year Ended December 31 2013	2012
Short-term benefits	$ 53,616	$ 49,286
Post-employment benefits	112	136
Share-based payments	2,989	6,975
	$ 56,717	$ 56,397

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. As of December 31, 2013, December 31, 2012 and January 1, 2012, AdvanPOS Technology Co., Ltd. and Cermate Technologies Inc., subsidiaries of the Company, had pledged assets for letters of credit and long-term bank borrowings, as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Fixed assets - land	$ 54,843	$ 13,047	$ 13,047
Fixed assets - buildings, net of accumulated depreciation	38,950	15,206	16,044
	$ 93,793	$ 28,253	$ 29,091

b. As of December 31, 2013 and 2012, as requested by suppliers, the Company pledged a time deposit of $109,110 thousand (included in other current assets) for a bank guarantee for the Company's purchases.

c. As of December 31, 2012, as requested by suppliers, Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) pledged a time deposit of $4,660 thousand (included in other current assets) for a bank guarantee for its purchases.

d. As of December 31, 2013, AdvanPOS Technology Co., Ltd. pledged a time deposit of $200 thousand as collateral for long-term borrowing.

33. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. As of December 31, 2013 and 2012, the guarantee notes issued by Cermate Technologies Inc. for its bank borrowings had amounted to $40,000 thousand.

b. As of December 31, 2013 and 2012, the guarantee notes issued by Netstar Technology Co., Ltd. for its bank loan had amounted to $1,459 thousand.

34. EXCHANGE RATE FOR FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 102,596	29.805 (USD:NTD)	$ 3,057,863
RMB	420,934	4.9040 (RMB:NTD)	2,064,261
RMB	258,522	6.0777 (RMB:USD)	1,267,785
EUR	18,900	41.090 (EUR:NTD)	776,618
			$ 7,166,527
Financial liabilities			
Monetary items			
USD	73,106	29.805 (USD:NTD)	$ 2,178,937
RMB	251,077	4.904 (RMB:NTD)	1,231,279
USD	39,283	6.0777 (USD:RMB)	1,170,820
			$ 4,581,036

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 19,118	6.232 (USD:RMB)	$ 555,189
USD	134,459	29.04 (USD:NTD)	3,904,686
EUR	19,707	38.49 (EUR:NTD)	758,525
			$ 5,218,400
Financial liabilities			
Monetary items			
USD	96,975	29.04 (USD:NTD)	$ 2,816,146
USD	68,721	6.232 (USD:RMB)	1,995,725
			$ 4,811,871

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,262	6.30 (USD:RMB)	$ 431,924
USD	98,858	30.275 (USD:NTD)	2,992,926
EUR	20,896	39.18 (EUR:NTD)	818,687
			$ 4,243,537
Financial liabilities			
Monetary items			
USD	76,786	30.275 (USD:NTD)	$ 2,324,708
USD	54,388	6.30 (USD:RMB)	1,647,096
			$ 3,971,804

35. SEPARATELY DISCLOSED ITEMS

All significant intercompany transactions have been eliminated from consolidation.

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held. (Table 3)

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

5) Total purchases from or sales to related parties amounting to at least NT$100 million or 20 percent of the paid-in capital. (Table 5)

6) Receivables from related parties amounting to at least NT$100 million or 20 percent of the paid-in capital. (Table 6)

7) Name, locations, and other information of investees on which the Company exercise significant influence. (Table 7)

8) Investments in mainland China. (Table 8)

9) Organization chart. (Table 9)

10) Transactions of financial instruments. (Note 7)

11) Significant transactions between the Company and subsidiaries. (Table 10)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 10)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 10)

c) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

36. SEGMENT INFORMATION

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

1) Industrial automation services: Focus on services retaining to industrial automation;

2) Embedded board and design-in services: Services involving embedded boards, systems and peripheral hardware and software;

3) Intelligent services: Referring to integrated intelligent applications that can be used in various areas;

4) Design and manufacturing services: Customized design and other services based on customers requirements;

5) Global customer services: Global repair, technical support and warranty services.

b. Segment information

	For the Year Ended December 31, 2013						
	Industrial Automation Services	Embedded Boards and Design-in Services	Intelligent Services	Design and Manufacturing Services	Global Customer Services	Reconciliation and Elimination	Total
Income							
From outside customers	$ 4,668,021	$ 11,632,372	$ 2,421,127	$ 7,641,651	$ 3,627,381	$ 699,482	$ 30,660,034
Income from sales between segments	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	30,422	30,422
Income total	$ 4,668,021	$ 11,632,372	$ 2,421,127	$ 7,641,651	$ 3,627,381	$ 699,904	$ 30,690,456
Finance costs	$ -	$ -	$ -	$ -	$ -	$ 11,402	$ 11,402
Depreciation and amortization	-	-	-	-	-	483,888	483,888
Share of profit or loss of associates accounted for using equity method	-	-	-	-	-	73,680	73,680
Segment profit (loss)	$ 1,134,727	$ 2,231,822	$ 91,567	$ 1,470,261	$ 674,260	$ (434,091)	$ 5,168,546
Investments accounted for by the equity method	$ -	$ -	$ -	$ -	$ -	$ 402,433	$ 402,433
Capital expense from noncurrent assets	-	-	-	-	-	2,397,401	2,397,401
Segment assets	$ -	$ -	$ -	$ -	$ -	$ 27,536,084	$ 27,536,084

	For the Year Ended December 31, 2012						
	Industrial Automation Services	Embedded Boards and Design-in Services	Intelligent Services	Design and Manufacturing Services	Global Customer Services	Reconciliation and Elimination	Total
Income							
From outside customers	$ 4,530,022	$ 10,310,153	$ 1,952,705	$ 7,033,021	$ 3,376,261	$ 349,709	$ 27,551,871
Income from sales between segments	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	24,357	24,357
Income total	$ 4,530,022	$ 10,310,153	$ 1,952,705	$ 7,033,021	$ 3,376,261	$ 374,066	$ 27,576,228
Finance costs	$ -	$ -	$ -	$ -	$ -	$ 20,350	$ 20,350
Depreciation and amortization	-	-	-	-	-	441,013	441,013
Income from equity-method investments	-	-	-	-	-	49,770	49,770
Segment profit (loss)	$ 1,021,450	$ 2,062,077	$ 90,667	$ 1,031,489	$ 319,314	$ (287,896)	$ 4,237,101
Investments accounted for by the equity method	$ -	$ -	$ -	$ -	$ -	$ 379,684	$ 379,684
Capital expense from noncurrent assets	-	-	-	-	-	797,825	797,825
Segment assets	$ -	$ -	$ -	$ -	$ -	$ 24,108,745	$ 24,108,745

The income above was generated from transactions with external customers. There were no sales between segments during the years ended December 31, 2013 and 2012.

Segment income refers to the income generated by each segment, excluding allocable central management costs and remuneration to directors and supervisors, share of the profit (loss) of associates and joint ventures, gain (loss) on disposal of associates, rental income, interest income, gain (loss) on disposal of properties, plant and equipment, gain (loss) on disposal of investments, foreign exchange net (gain) loss, valuation gain (loss) on financial instruments, finance costs and income tax expense. This segment income is the measure reported to the operation's decision maker and is used in the allocation of resources among segments and performance evaluation.

c. Geographical information

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

	Revenue from External Customers		Non-current Assets		
	Year Ended December 31		December 31,	December 31,	January 1,
	2013	2012	2013	2012	2012
Taiwan	$ 2,841,041	$ 2,019,892	$ 5,908,806	$ 4,595,134	$ 4,436,040
Asia	11,390,213	9,870,627	2,643,643	1,981,131	1,888,885
USA	9,466,612	8,206,727	367,223	348,488	357,664
Europe	4,657,390	4,889,554	792,419	603,667	695,282
Others	2,304,778	2,565,071	1,459	938	3,264
	$ 30,660,034	$ 27,551,871	$ 9,713,550	$ 7,529,358	$ 7,381,135

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

37. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS consolidated financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

After transition to IFRS, the impact on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of the consolidated balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets						
Cash and cash equivalents	$ 2,523,161	$ -	$ (241,882)	$ 2,281,279	Cash and cash equivalents	g)
Financial assets at fair value through profit or loss	57,204	-	-	57,204	Financial assets at fair value through profit or loss	
Available-for-sale financial assets - current	873,808	-	-	873,808	Available-for-sale financial assets - current	

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Notes receivable	$ 427,256	$ -	$ -	$ 427,256	Notes receivable	
Accounts receivables (gross)	3,431,968	-	-	3,431,968	Trade receivables	
Provision for doubtful accounts	(50,788)	-	-	(50,788)	Allowance for impairment loss	
Accounts receivables from related parties (net)	3,464	-	-	3,464	Trade receivables from related parties	
Other receivable	49,335	-	-	49,335	Other receivable	
Restricted assets	-	-	241,882	241,882	Bond investments without active market	g)
Inventories, net	3,895,123	-	-	3,895,123	Inventories	
Deferred income tax assets - current	74,688	-	(74,688)	-	-	a)
Prepaid expenses and other current assets	166,809	-	27,328	194,137	Other current assets	h) and i)
Total current assets	11,452,028	-	(47,360)	11,404,668	Total current assets	
Long-term investments						
Investments accounted for using the equity method	371,010	(6,837)	(195)	363,978	Investments accounted for using the equity method	n) and p)
Available-for-sale financial assets	2,309,762	-	33,257	2,343,019	Available-for-sale financial assets	l)
Financial assets measured at cost	33,257	-	(33,257)	-	-	l)
Total long-term investments	2,714,029	(6,837)	(195)	2,706,997		
Property, plant and equipment					Property, plant and equipment	
Cost	7,797,739	6,012	128,220	7,931,971	Cost	h), j) and m)
Minus: Accumulated depreciation	(1,916,626)	(1,124)	(10,688)	(1,928,438)	Accumulated depreciation	h), j) and m)
Construction in progress and prepayments for equipment	258,288	-	(21,741)	236,547	Construction in progress	k)
Properties, net	6,139,401	4,888	(95,791)	6,240,080	Property, plant and equipment	
Total intangible assets	975,811	(6,762)	5,575	974,624	Intangible assets	e), h), and i)
Other assets						
Assets leased to others, net	18,918	-	(18,918)	-		m)
Deferred income tax assets - noncurrent	-	-	145,206	145,206	Deferred income tax assets - noncurrent	a) and b)
Refundable deposits	40,029	-	-	40,029	Refundable deposits	
Deferred expenses	236,178	-	(236,178)	-	Deferred expenses	h)
repayments for equipment	-	-	27,906	27,906	Prepayments for equipment	h) and k)
Long-term prepayments	-	-	98,496	98,496	Long-term prepayments	i)
Total other assets	295,125	-	16,512	311,637		
Total assets	$ 21,576,394	$ (8,711)	$ 70,323	$ 21,638,006	Total assets	
Current liabilities						
Short-term bank loans	$ 171,442	$ -	$ -	$ 171,442	Short-term borrowings	
Financial liabilities at fair value through profit or loss	53,516	-	-	53,516	Financial liabilities at fair value through profit or loss	
Accounts payable	1,709,805	-	-	1,709,805	Trade payables	
Income tax payable	407,157	-	-	407,157	Current tax liabilities	
Accrued expenses	1,713,945	24,457	-	1,738,402	Other payables	c)
Short-term warranty provision	112,617	-	-	112,617	Short-term warranty provision	
Advance receipts and other current liabilities	389,165	-	-	389,165	Other current liabilities	
Current portion of long-term bank loans	1,584	-	-	1,584	Current portion of long-term bank loans	
Total current liabilities	4,559,231	24,457	-	4,583,688	Total current liabilities	
Noncurrent liabilities						
Accrued convertible bonds	760,331	-	-	760,331	Bonds payable	
Long-term bank loans	11,068	-	-	11,068	Long-term borrowings	
Total long-term liabilities	771,399	-	-	771,399		
Other liabilities						
Accrued pension cost	110,856	61,089	-	171,945	Accrued pension liabilities	d) and e)
Guarantee deposits	1,116	-	-	1,116	Other noncurrent liabilities	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Deferred credits	$ 195	$ -	$ (195)	$ -		n)
Deferred income tax liabilities - noncurrent	439,234	-	70,518	509,752	Deferred tax liabilities - noncurrent	b)
Total other liabilities	551,401	61,089	70,323	682,813		
Total liabilities	5,882,031	85,546	70,323	6,037,900	Total liabilities	
Share capital						
Capital stock	5,517,971	-	-	5,517,971	Ordinary shares	
Advance receipts for ordinary share	11,990	-	-	11,990		
	5,529,961	-	-	5,529,961		
Capital surplus						
Additional paid-in capital from share issuance in excess of par value	3,751,469	-	-	3,751,469	Additional paid-in capital from share issuance in excess of par value	
From long-term equity investments	59,191	(59,191)	-	-	-	f)
From stock options	256,210	-	-	256,210	From stock options	
Total capital surplus	4,066,870	(59,191)	-	4,007,679	Total capital surplus	
Retained earnings	6,542,934	(36,442)	-	6,506,492	Retained earnings	c), d), e), f), j) and p)
Other						
Cumulative translation adjustments	105,408	-	-	105,408	Foreign currency translation reserve	
Unrealized gain on financial instruments	(648,592)	-	-	(648,592)	Unrealized gain from available-for-sale financial assets	
Net loss not recognized as pension cost	(2,121)	2,121	-	-	-	e)
Total other equity items	(545,305)	2,121	-	(543,184)	Total other equity items	
Total shareholders' equity of the Company	15,594,460	(93,512)	-	15,500,948	Total equity attributable to owners of the Company	
Minority interests	99,903	(745)	-	99,158	Noncontrolling interests	c) and d)
Total shareholders' equity	15,694,363	(94,257)	-	15,600,106	Total equity	
Total liabilities and shareholders' equity	$ 21,576,394	$ (8,711)	$ 70,323	$ 21,638,006	Total liabilities and equity	

(Concluded)

2) Reconciliation of the consolidated balance sheet as of December 31, 2012

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Current assets						
Cash and cash equivalents	$ 3,415,871	$ -	$ (143,828)	$ 3,272,043	Cash and cash equivalents	g)
Financial assets at fair value through profit or loss	16,879	-	-	16,879	Financial assets at fair value through profit or loss	
Available-for-sale financial assets - current	1,537,309	-	-	1,537,309	Available-for-sale financial assets - current	
Notes receivable	574,292	-	-	574,292	Notes receivable	
Accounts receivables (gross)	3,715,666	-	-	3,715,666	Trade receivables	
Provision for doubtful accounts	(84,588)	-	-	(84,588)	Allowance for impairment loss	
Accounts receivables from related parties (net)	3,377	-	-	3,377	Trade receivables from related parties	
Other receivable	71,792	-	-	71,792	Other receivable	
Inventories, net	3,890,166	-	-	3,890,166	Inventories	
Deferred income tax assets - current	70,665	-	(70,665)	-	-	a)
-	-	-	423,428	423,428	Bond investments without active market	g)

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Other financial assets - current	$ 279,600	$ -	$ (279,600)	$ -	-	g)
Prepaid expenses and other current assets	294,314	-	12,635	306,949	Other current assets	h) and i)
Total current assets	13,785,343	-	(58,030)	13,727,313	Total current assets	
Long-term investments						
Investments accounted for using the equity method	387,926	(8,153)	(89)	379,684	Investments accounted for using the equity method	n) and p)
Available-for-sale financial assets - noncurrent	2,271,747	-	33,257	2,305,004	Available-for-sale financial assets	l)
Financial assets measured at cost	33,257	-	(33,257)	-	-	l)
Total long-term investments	2,692,930	(8,153)	(89)	2,684,688		
Property, plant and equipment					Property, plant and equipment	
Cost	8,073,652	7,098	173,411	8,254,161	Cost	h), j) and m)
Minus: Accumulated depreciation	(2,218,074)	(1,361)	(104,060)	(2,323,495)	Accumulated depreciation	h), j) and m)
Construction in progress and prepayments for equipment	477,193	-	(16,223)	460,970	Construction in progress	k)
Properties, net	6,332,771	5,737	53,128	6,391,636	Property, plant and equipment	
Total intangible assets	949,036	(9,918)	42,248	981,366	Intangible assets	e), h), and i)
Other assets						
Assets leased to others, net	17,645	-	(17,645)	-		m)
Deferred income tax assets - noncurrent	-	107	167,279	167,386	Deferred income tax assets - noncurrent	a), b) and d)
Refundable deposits	40,304	-	-	40,304	Other noncurrent assets	
Deferred expenses	206,418	-	(206,418)	-	Deferred expenses	h)
Prepayments for equipment	-	-	22,954	22,954	Prepayments for equipment	h) and k)
Long-term prepayments	-	-	93,098	93,098	Long-term prepayments	i)
Total other assets	264,367	107	59,268	323,742		
Total assets	$ 24,024,447	$ (12,227)	$ 96,525	$ 24,108,745	Total assets	
Current liabilities						
Short-term bank loans	$ 151,452	$ -	$ -	$ 151,452	Short-term borrowings	
Financial liabilities at fair value through profit or loss	9,620	-	-	9,620	Financial liabilities at fair value through profit or loss	
Accounts payable	2,327,248	-	-	2,327,248	Trade payables	
Income tax payable	324,613	-	-	324,613	Current tax liabilities	
Accrued expenses	2,051,846	22,881	-	2,074,727	Other payables	c)
Short-term warranty provision	106,735	-	-	106,735	Short-term warranty provision	
Advance receipts and other current liabilities	495,582	-	-	495,582	Other current liabilities	
Current portion of long-term bank loans	366	-	-	366	Current portion of long-term bank loans	
Total current liabilities	5,467,462	22,881	-	5,490,343	Total current liabilities	
Noncurrent liabilities						
Accrued convertible bonds	184,660	-	-	184,660	Bonds payable	
Long-term bank loans	2,566	-	-	2,566	Long-term borrowings	
Total long-term liabilities	187,226	-	-	187,226		
Other liabilities						
Accrued pension cost	106,239	44,408	-	150,647	Accrued pension liabilities	d) and e)
Guarantee deposits	1,081	-	-	1,081	Other noncurrent liabilities	
Deferred credits	89	-	(89)	-		n)
Deferred income tax liabilities - noncurrent	452,110	3,455	96,614	552,179	Deferred tax liabilities - noncurrent	b) and d)
Total other liabilities	559,519	47,863	96,525	703,907		
Total liabilities	6,214,207	70,744	96,525	6,381,476	Total liabilities	
Share capital						
Capital stock	5,639,971	-	-	5,639,971	Ordinary shares	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Capital surplus						
Additional paid-in capital from share issuance in excess of par value	$ 4,563,350	$ -	$ -	$ 4,563,350	Additional paid-in capital from share issuance in excess of par value	
From long-term equity investments	56,977	(56,977)	-	-	-	f)
From stock options	138,435	-	-	138,435	From stock options	
Total capital surplus	4,758,762	(56,977)	-	4,701,785	Total capital surplus	
Retained earnings	7,240,340	(27,317)	-	7,213,023	Retained earnings	c), d), e), f), j) and p)
Other						
Cumulative translation adjustments	(104,345)	-	-	(104,345)	Foreign currency translation reserve	
Unrealized gain on financial instruments	168,944	-	-	168,944	Unrealized gain from available-for-sale financial assets	
Net loss not recognized as pension cost	(1,697)	1,697	-	-	-	e)
Total other equity items	62,902	1,697	-	64,599	Total other equity items	
Total shareholders' equity of the Company	17,701,975	(82,597)	-	17,619,378	Total equity attributable to owners of the Company	
Minority interests	108,265	(374)	-	107,891	Noncontrolling interests	c) and d)
Total shareholders' equity	17,810,240	(82,971)	-	17,727,269	Total equity	
Total liabilities and shareholders' equity	$ 24,024,447	$ (12,227)	$ 96,525	$ 24,108,745	Total liabilities and equity	

(Concluded)

3) Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Net sales	$ 27,551,871	$ -	$	$ 27,551,871	Operating revenue, net	n)
Cost of sales	16,627,955	(773)	116,468	16,743,650	Operating costs	c), d), n) and o)
Gross profit	10,923,916	773	(116,468)	10,808,221	Operating profit	
Operating expenses						
Marketing	2,960,032	(678)	(116,468)	2,842,886	Selling and marketing expenses	c), d) and o)
Administrative	1,699,705	(1,118)	742	1,699,329	General and administrative expenses	c), d), j) and m)
Research and development	2,405,718	(2,441)	-	2,403,277	Research and development expenses	c) and d)
Total	7,065,455	(4,237)	(115,726)	6,945,492		
Operating income	3,858,461	5,010	(742)	3,862,729	Profit from operations	
Nonoperating income and gains						
Dividend Revenue	98,242	-	-	98,242	Dividend Revenue	
Investment income recognized under the equity method, net	49,557	213	-	49,770	Share of profit (loss) of investment accounted for using equity method	p)
Gain on disposal of properties, net	30,919	-	-	30,919	Gain on disposal of property, plant and equipment	
Interest income	24,357	-	-	24,357	Interest income	
Gain on disposal of investments, net	58,553	-	-	58,553	Gain on disposal of investments, net	
Rental income	21,356	-	-	21,356	Rental income	
Valuation gain on financial instruments, net	112,256	-	-	112,256	Valuation gain on financial instruments, measured at fair value	
Other income	108,489	-	-	108,489	Other income	
Total operating expenses	503,729	213	-	503,942		

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Nonoperating expenses and losses						
Interest expense	$ 20,350	$ -	$ -	$ 20,350	Finance costs	
Valuation loss on financial instrument	45,597	-	-	45,597	Valuation loss on financial instruments, measured at fair value	
Foreign exchange loss, net	42,700	-	-	42,700	Foreign exchange loss, net	
Other expenses	21,665	-	(742)	20,923	Other losses	m)
Total operating expenses	130,312	-	(742)	129,570		
Income before income tax	4,231,878	5,223	-	4,237,101	Profit before income tax	
Income tax expense	746,068	(85)	-	745,983	Income tax expense	d)
Net income	$ 3,485,810	$ 5,308	$ -	3,491,118	Net profit for the year	
				(234,269)	Exchange differences on translating foreign operations	
				817,536	Unrealized gain or loss on available-for-sale financial assets	
				13,617	Actuarial gain (loss) on defined benefit plan	d)
				(2,191)	Share of other comprehensive income of associates and joint ventures	
				17,917	Income tax relating to components of other comprehensive income	
				612,610	Other comprehensive income for the period, net of income tax	
				$ 4,103,728	Total comprehensive income for the year	

(Concluded)

4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

<u>Business combinations</u>

The Group elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the one under ROC GAAP as of December 31, 2011.

The exemption of not elected to apply IFRS 3 "Business Combinations" also applied to investments in associates acquired in the past.

<u>Share-based payment transactions</u>

The Group elected to take the optional exemption from applying IFRS 2 "Share-based Payment" retrospectively for the shared-based payment transactions granted and vested before the date of transition.

Deemed cost

For certain freehold lands, the Group elected to use the ROC GAAP revalued amount at the date of transition to IFRSs as their deemed cost under IFRSs. For certain investment properties with sufficient evidence that those properties are continuously being rented out and can generate a stable cash flow in the medium or long-term, the Group elected to use their fair value at the date of transition as their deemed cost. For other certain investment properties, the ROC GAAP revaluated amount at the date of the transition was used as their deemed cost under IFRSs. All other property, plant and equipment, investment properties and intangible assets applied IFRSs retrospectively.

Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition. In addition, the Group elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

5) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

a) Classification of deferred tax assets/liabilities and valuation allowance

Under ROC GAAP, valuation allowances are provided to the extent that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are recognized to the extent that it is highly probable that taxable profits will be available against which the deductible temporary differences can be used; thus, the valuation allowance account will no longer be used.

In addition, under ROC GAAP, deferred tax assets and liabilities are classified as current or noncurrent in accordance with the classification of its related assets or liabilities. However, if a deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements, it is classified as either current or noncurrent based on the expected length of time before its reversal. Under IFRSs, deferred tax assets and liabilities are classified as noncurrent assets or liabilities.

As of December 31, 2012 and January 1, 2012, the amount reclassified from deferred income tax assets to noncurrent assets was $70,665 thousand and 74,688 thousand.

b) Offsetting deferred tax assets and liabilities

Under ROC GAAP, the Group’s deferred tax assets and liabilities should only be shown at their net value with current deferred tax assets offsetting by current deferred tax liabilities. The same applies to noncurrent deferred tax assets and liabilities. Under IFRS, businesses have a legally enforceable right to offset income tax assets and liabilities of the current period. In addition, when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority, deferred tax assets should be offset by deferred tax liabilities.

As of December 31, 2012 and January 1, 2012, the offset of deferred tax assets and deferred tax liabilities resulted in amounts of 96,614 thousand and 70,518 thousand, respectively.

c) Employee benefits - short-term cumulative compensated absences

Under ROC GAAP, there are no specific rules pertaining to the recognition of short term absences, being usually recognized when the cost has been incurred. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods.

As of December 31, 2012 and January 1, 2012, the Group’s reclassification adjustment of short-term cumulative compensated absences resulted in increase of accrued expenses of $22,881 thousand and 24,457, respectively. Also, as of December 31, 2012 and January 1, 2012, retained earnings were adjusted for decreases of $22,858 thousand and 24,441 thousand, respectively. Noncontrolling interests was adjusted for decreases of $23 thousand and $16 thousand, respectively. Salary expense were adjusted for a decrease of $1,583 thousand for the year ended December 31, 2012.

d) Employee benefits - actuarial gains and losses on defined benefit plans

Under ROC GAAP, the recognition of pension cost is determined by actuarial valuations accounted for under the corridor approach, which results in the deferral of gains and losses. The corridor approach requires the amortization of actuarial gains and losses in pension costs over the expected average remaining service years of the participating employees. Under IFRSs, IAS No. 19 - “Employee Benefits,” all actuarial gains and losses are to be immediately recognized through other comprehensive income in the period in which they occur. A subsequent reclassification of these actuarial gains and losses to earnings is not permitted.

As of December 31, 2012 and January 1, 2012, the Group had elected to recognize all cumulative actuarial gains and losses on employee benefits in retained earnings in accordance with IAS No. 19 “Employee Benefits,” and on electing to adopt an exemption under IFRS 1 “First-time Adoption of International Financial Reporting Standards,” adjusted accrued pension liabilities for an increase of $46,099 thousand and 68,301 thousand; and retained earnings and noncontrolling interests for decreases of $67,572 thousand and $729 thousand, respectively. In addition, for the year ended December 31, 2012, pension costs were adjusted for a decrease of $2,578 thousand and noncontrolling interests were adjusted for a decrease of $680 thousand; deferred tax assets for an increase of $107 thousand; and income tax benefit for an increase of $85 thousand.

As of December 31, 2012, recognized actuarial gain or loss on defined benefit plan and noncontrolling interests were adjusted for increases of $13,617 thousand and $1,274 thousand, respectively. Considering the effect of income tax, income tax relating to components of other comprehensive income and noncontrolling interests were adjusted for decreases of $3,239 thousand and $216 thousand, respectively; and deferred tax liabilities for an increase of $3,455 thousand.

e) Employee benefits - minimum pension liability

Under ROC GAAP, the minimal required standard is the minimum pension liability to be recognized on the balance sheet. If the accrued pension liability is lower than that standard, the shortfall is recognized by crediting accrued pension liabilities.

Under IFRSs, there is no requirement to recognize pension liabilities at a certain minimum.

As of December 31, 2012, the Group’s accrued pension liabilities, deferred pension cost and retained earnings were adjusted for decreases of $1,691 thousand, $1,691 thousand and $1,697 thousand respectively. As a result of these decreases, net loss not recognized as pension costs was adjusted for an increase of $1,697 thousand.

As of January 1, 2012, the Group's accrued pension liabilities, deferred pension cost and retained earnings were adjusted for decreases of $7,212 thousand, $6,762 thousand and $1,671 thousand respectively. As a result of these decreases, net loss not recognized as pension costs was adjusted for an increase of $2,121 thousand.

f) The Company's accounting treatment for capital surplus, long-term equity investment adjustment-changes in carrying values of equity-method investments due to disproportional subscriptions to additionally issued shares of investees.

Under ROC GAAP, the difference in the Company's holding percentage and its interest in the investee's net assets, caused by a disproportionate purchase of new shares issued by the investee, will be adjusted to capital surplus-long term equity investments and long-term equity investment accounts.

Under IFRSs, the investing company records such a difference as an adjustment to long-term investments, with the corresponding amount charged or credited to capital surplus. If the investing company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, which results in a loss in the investing company's holding percentage in the investee, the loss is recognized in other comprehensive income and reclassified proportionally to losses under related parties. This accounting method is based on the same foundation as the disposal of assets and liabilities of related parties.

Any change in the Group's equity interests that does not result in the loss of controlling influence over its subsidiaries will be deemed as equity transactions. In addition, based on the "Adoption of IFRS-Q&A" issued by the Taiwan Stock Exchange, capital surplus items not covered by the IFRS, the ROC Company law and the legal interpretations of the Ministry of Economic Affairs (MOEA) will be adjusted at the date of transition to IFRSs.

As of December 31, 2012 and January 1, 2012, after making the adjustments as described above, the Group's "capital surplus - long-term equity investments" decreased by $56,977 thousand and $59,191 thousand, and retained earnings were adjusted for an increase of $56,977 thousand and $59,191 thousand, respectively.

g) Time deposits with maturities of more than three months

Under ROC GAAP, "cash and cash equivalents" comprise of cash on hand, demand deposits, check deposits, time deposits that are cancellable and without the loss of principal and readily salable negotiable certificates without the loss of principal. However, under IFRSs, an investment normally qualifies as a cash equivalent only when it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value. Thus, an investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. After IFRSs adoption, time deposits held by the Group for investment purposes with maturities of more than three months were reclassified to bond investments with no active market.

As of December 31, 2012 and January 1, 2012, the amount reclassified to debt investments with no active market was $423,428 thousand and $241,882 thousand.

h) Classification of deferred expenses

Under ROC GAAP, deferred expenses are recorded under other assets. Under IFRSs, the Group reclassified deferred expenses according to their nature to fixed assets, intangible assets, prepaid expenses, and prepayment for equipment.

As of December 31, 2012, the Group reclassified deferred expense to fixed assets, intangible assets, prepaid expenses, and prepayment for equipment amounting to $51,706 thousand, $137,732 thousand, $10,249 thousand, and $6,731 thousand, respectively.

As of January 1, 2012, the Group reclassified deferred expense to fixed assets, intangible assets, prepaid expenses, and prepayment for equipment amounting to $98,614 thousand, $106,532 thousand, $24,867 thousand, and $6,165 thousand, respectively.

i) Superficies

Under ROC GAAP, superficies are recorded under intangible assets. Under IFRSs, superficies are recorded under prepayment for leases in accordance with IAS 17 - "Leases."

As of December 31, 2012, the Group reclassified to prepayment for leases - current (included in other current assets) and prepayment for leases - noncurrent (included in long-term prepayments) amounting to $2,386 thousand and $93,695 thousand, respectively.

As of January 1, 2012, the Group reclassified to prepayment for leases - current (included in other current assets) and prepayment for leases - noncurrent (included in long-term prepayments) amounting to $2,461 thousand and $93,098 thousand, respectively.

j) Capitalization of superficies

Under ROC GAAP, amortization of superficies during the period of factory construction should be recognized under current year's expense. Under IFRSs, the amortization expense during the construction period should be capitalized in which the asset is expected to contribute to the Group's revenue-generating activities.

As of December 31, 2012 and January 1, 2012, based on the accounting treatment for the capitalization of superficies, fixed assets were adjusted for an increase of $5,737 thousand and 4,888 thousand. Retained earnings were adjusted for an increase of $4,888 thousand. Depreciation expenses was adjusted for an increase of $237 thousand and the amortization expense was adjusted for a decrease of $1,086 thousand.

k) Classification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are usually recorded under fixed assets. Under IFRSs, prepayments for equipment are usually recorded under prepayments or long-term prepayments.

As of December 31, 2012 and January 1, 2012, based on the nature of the prepayments for equipment, the Group reclassified from prepayments for equipment (under fixed assets) to prepayments for equipment (under noncurrent assets) amounting to $16,223 thousand and 21,741 thousand.

l) Financial assets carried at cost

Under Regulations Governing the Preparation of Financial Reports by Securities Issuers, unlisted shares or shares not traded in the Emerging Stock Market which are held by investors with no significant influence over their investees should be recognized as financial assets carried at cost. Under IFRSs, unlisted equity instruments are classified under financial assets held for sale and measured at fair value.

As of December 31, 2012 and January 1, 2012, the Group reclassified financial assets carried at cost to available for sale financial assets which amounted to $33,257 thousand.

m) Classification of assets leased to others

Under IFRSs, assets leased to others originally classified under other assets, are reclassified to property, plant and equipment according to their nature. Based on IAS 40 - "Investment Property," investment properties are defined us properties held by the entity to earn rental revenue or in the anticipation of a capital gain. The subsidiaries' leased assets mainly consist of factories leased to suppliers. As these factories cannot be sold separately and comprise of an insignificant portion of the plant, they are not to be considered as investment properly.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from leased assets to property, plant and equipment were $17,645 thousand 18,918 thousand, respectively. For the year ended December 31, 2012, depreciation expenses - assets leased to others amounting to $742 thousand had been reclassified from nonoperating expenses and losses - others to operating expenses - administration.

n) Investments in associates - unrealized profits from downstream transactions

Under ROC GAAP, unrealized profits from downstream transactions with non-majority-owned equity-method investees are deferred proportionately and recognized as deferred credits. Under IFRSs, unrealized profits from downstream transactions are recorded under investments in associates.

As of December 31, 2012 and January 1, 2012, the Group reclassified deferred credits of $89 thousand and $195 thousand to investments accounted for by the equity method.

o) Reclassification of line items in the consolidated statement of comprehensive income

Under the IFRSs, based on the nature of operating transactions, the Group reclassified RMA (return merchandise authorization) in warranty cost amounting to $116,468 thousand for the year ended December 31, 2012.

p) Investments in associates - adjustments

The Group's investments in associates that are accounted for by the equity method are analyzed and reconciled accordingly after the adoption of IFRS. The main reconciliation items include employee benefits and short-term cumulative compensated absences.

As of December 31, 2012, the adjustment of the Group's investment in associates accounted for by the equity method led to decreases of $8,366 thousand in retained earnings and $8,153 thousand in investments accounted for by the equity method.

As of January 1, 2012, the adjustment of the Group's investment in associates accounted for by the equity method led to decreases of $6,837 thousand in retained earnings and $6,837 thousand in investments accounted for by the equity method.

As a result of investments in associates, share of profit or loss of associates accounted for using equity method was adjusted for an increase of $213 thousand for the year ended December 31, 2012.

q) Changes of equity in subsidiaries' without loss of control by the Company

Under ROC GAAP, investment costs are analyzed on the date of acquisition, with the difference between the price of purchasing an investment and the fair value of the net assets obtained recorded as goodwill. Goodwill is not amortized. Under IFRSs, any changes in the Company's equity in its subsidiaries without the Company's losing control over its subsidiaries are recorded as equity transactions.

As of December 31, 2012, retained earnings - the difference in acquisition price and the fair value of net assets - and goodwill were adjusted for decreases of $8,227 thousand and $8,227 thousand, respectively.

6) Explanation of material adjustments to the statement of cash flows.

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7” Statement of Cash Flow”, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of $423,428 thousand and $241,882 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Group was for investment purposes and thus no longer classified as cash under IFRSs.

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7” Statement of Cash Flow”, cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests and dividends received by the Group of $22,253 thousand and $132,011 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statement of cash flows.

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note E)		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	Actual Borrowing Amount	Ending Balance						Item	Value		
0	Advantech Co., Ltd.	AEU	Accounts receivables - related parties	Yes	$ 138,987 (EUR 3,382.5 thousand)	$ 138,987 (EUR 3,382.5 thousand)	$ 138,987 (EUR 3,382.5 thousand)	$ 138,987 (EUR 3,382.5 thousand)	2.00	Short-term financing	$ -	Financing need	$ -	None	None	$ 1,925,830 (Note C)	$ 3,851,660 (Note C)
1	AEUH	AEU	Accounts receivables - related parties	Yes	30,818 (EUR 750 thousand)	30,818 (EUR 750 thousand)	30,818 (EUR 750 thousand)	30,818 (EUR 750 thousand)	4.00	Short-term financing	-	Financing need	-	None	None	1,925,830 (Note C)	3,851,660 (Note C)
2	ANA	AKMC	Accounts receivables - related parties	Yes	166,908 (US$ 5,600 thousand)	137,103 (US$ 4,600 thousand)	166,908 (US$ 5,600 thousand)	137,103 (US$ 4,600 thousand)	2.00	Short-term financing	-	Financing need	-	None	None	1,925,830 (Note C)	3,851,660 (Note C)
3	AiSC	ACN	Accounts receivables - related parties	Yes	243,037 (RMB 49,559 thousand)	-	243,037 (RMB 49,559 thousand)	-	2.00	Short-term financing	-	Financing need	-	None	None	250,068 (Note D)	250,068 (Note D)
4	Better Auto Holdings Limited	Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivables - related parties	Yes	22,166 (RMB 4,520 thousand)	22,166 (RMB 4,520 thousand)	22,166 (RMB 4,520 thousand)	22,166 (RMB 4,520 thousand)	-	Short-term financing	-	Financing need	-	None	None	1,925,830 (Note C)	3,851,660 (Note C)
		Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivables - related parties		14,903 (US$ 500 thousand)	14,903 (US$ 500 thousand)	14,903 (US$ 500 thousand)	14,903 (US$ 500 thousand)	-	Short-term financing	-	Financing need	-	None	None	1,925,830 (Note C)	3,851,660 (Note C)
5	Advantech Fund-A	AdvanPOS Technology Co., Ltd.	Accounts receivables - related parties	Yes	100,000	100,000	100,000	100,000	1.15	Short-term financing	-	Financing need	-	None	None	1,925,830 (Note C)	3,851,660 (Note C)
		Advantech-LNC Technology Co., Ltd.	Accounts receivables - related parties		50,000	50,000	50,000	20,000	1.15	Short-term financing	-	Financing need	-	None	None	1,925,830 (Note C)	3,851,660 (Note C)

Note A: Parent company: 0; investee companies are numbered sequentially from 1.

Note B: The exchange rates as of December 31, 2013 were EUR1.00=NT$41.09, US$1.00=NT$29.805 and RMB1.00=NT$4.904.

Note C: The maximum amounts of financing to individual counterparties which are not based in Taiwan that can be provided by the financier are 20% and 10% of the financier's net asset value, respectively.

Note D: As of December 31, 2013, since there were no financing needs among subsidiaries in Mainland China, the joint account was closed.

Note E: The maximum balance and ending balances for the credit lines were approved by the financiers' board of directors.

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars/Foreign Currency)

No. (Note A)	Endorser/ Guarantor	Counterparty		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note B)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note C)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on behalf of Companies in Mainland China
		Name	Relationship										
0	Advantech Co., Ltd. (the Company)	AdvanPOS Technology Co., Ltd.	Subsidiary	$ 1,925,830	$ 150,146	$ 148,838	$ 30,000	$ -	-	$ 5,777,490	Y	N	N
		Advantech-LNC Technology Co., Ltd.	Subsidiary	1,925,830	164,175	162,745	-	-	-	5,777,490	Y	N	N
		Advantech Europe B.V.	Subsidiary	1,925,830	205,450 (EUR 5,000 thousand)	205,450 (EUR 5,000 thousand)	147,027 (GBP 2,983.5) thousand)	-	-	5,777,490	Y	N	N
1	Netstar Technology Co., Ltd.	Advantech Intelligent Service (AiST)	Related enterprise	1,925,830	470	470	-	-	-	5,777,490	N	N	N

Note A: Parent company: 0; investee companies are numbered sequentially from 1.

Note B: 10% of the Company's net asset value.

Note C: 30% of the Company's net asset value.

Note D: The exchange rate as of December 31, 2013 were EUR1.00=NT$41.09.

TABLE 3

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars/Foreign Currency)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Advantech Co., Ltd.	Stock							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,329,461	$ 1,404,176	0.71	$ 1,404,176	Notes A and C
	Pegatron Corp.	-	〃	8,055,570	309,334	0.35	309,334	Notes A and D
	Chunghwa Telecom Co., Ltd.	-	〃	1,243,636	115,782	0.02	115,782	Notes A and E
	Fund							
	Mega Diamond Money Market	-	Available for sale financial assets - current	77,279,008.82	945,540	-	945,540	Note B
	Capital Money Market	-	〃	18,926,086.30	298,320	-	298,320	Note B
Advantech Fund-A	Stock							
	Chunghwa Telecom Co., Ltd.	-	〃	494,952	46,080	0.006	46,080	Note A
	Taiwan 50	-	〃	170,000	9,979	-	9,979	Note A
	COBAN Research and Technologies, Inc.	-	Available for sale financial assets - noncurrent	600,000	33,257	6.85	33,257	-
	BroadTec System Inc.	-	〃	150,000	1,500	10.00	1,500	-
	BiosenseTek Corp.	-	〃	37,500	375	1.79	375	-
	Fund							
	East Inv Well Pool Fund	-	Available for sale financial assets - current	18,553,602.50	246,564	-	246,564	Note B
Advansus Corp.	Fund							
	Taishin 1699 Money Market	-	〃	12,963,399.46	171,271	-	171,271	Note B
Netstar Technology Co., Ltd.	Fund							
	Mega Diamond Money Market	-	〃	11,701,804.67	143,176	-	143,176	Note B
Cermate Technology Inc.	Fund							
	East Inv Well Pool Fund	-	〃	2,336,282.90	31,049	-	31,049	Note B
Advantech Intelligent Service	Fund							
	East Inv Well Pool Fund	-	〃	5,098,173	67,751	-	67,751	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
ACA	Fund							
	Mega Diamond Money Market	-	〃	2,547,558.61	$ 31,170	-	$ 31,170	Note B
	Taishin 1699 Money Market	-	〃	7,683,968.16	101,520	-	101,520	Note B
Advantech-LNC Technology Co., Ltd.	Fund							
	Capital Money Market	-	〃	634,489.60	10,001	-	10,001	Note B
AdvanPOS Technology Co., Ltd.	Fund							
	Mega Diamond Money Market	-	〃	817,000	10,006	-	10,006	Note B

Note A: Market value was based on the closing price on December 31, 2013.

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2013.

Note C: The amount included $1,112,200 thousand, the carrying value of 4,150,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

Note D: The amount included $186,240 thousand, the carrying value of 4,850,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

Note E: The amount included $115,723 thousand, the carrying value of 1,243,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Advantech Co., Ltd. (the "Company")	Fund													
	Mega Diamond Money Market	Available for sale financial assets - current	-	-	-	$ -	171,401,980.22	$ 2,090,500	94,122,971.40	$ 1,149,000	$ 1,146,470	$ 2,530	77,279,008.82	$ 944,030
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	35,809,736.85	469,145	37,200,204.18	489,000	73,009,941.03	961,164	958,145	3,019	-	-
	Eastspring Inv Well Pool Money Market	Available for sale financial assets - current	-	-	11,359,677.70	150,000	11,320,097.50	149,500	22,679,775.20	300,673	299,500	1,173	-	-
	Yuanta Wan Tai Money Market	Available for sale financial assets - current	-	-	-	-	36,034,467.20	530,800	36,034,467.20	532,337	530,800	1,537	-	-
	Capital Money Market	Available for sale financial assets - current	-	-	-	-	60,497,398.10	951,000	41,571,311.80	653,735	653,000	735	18,926,086.30	298,000
	Stock													
	AdvanPOS Technology Co., Ltd.	Investment equity method	-	-	-	-	12,778,455	319,461 (Note A)	-	-	-	-	12,778,455	319,461
	Advantech-LNC Technology Co., Ltd.	Investment equity method	-	-	-	-	50,000,000	729,940 (Note B)	20,000,000	199,940 (Note C)	199,940 (Note C)	-	30,000,000	530,000

Note A: The Company acquired 70.19% of equity of AdvanPOS Technology Co., Ltd. for $319,461 thousand.

Note B: The Company acquired 100% of equity of LNC Technology Co., Ltd. for $729,940 thousand. The acquiree company was renamed Advantech-LNC Technology Co., Ltd.

Note C: Capital reduction through return of capital.

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note A)		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd.	AEU	Subsidiary	Sale	$ (2,402,325)	10.91	30 days after month end	Contract price	No significant difference in terms for related parties	$ 793,247	19.13	
	ANA	Subsidiary	Sale	(6,961,724)	31.62	45 days after month end	Contract price	No significant difference in terms for related parties	334,501	8.07	
	ACN	Subsidiary	Sale	(2,118,795)	9.62	45 days after month end	Contract price	No significant difference in terms for related parties	642,726	15.50	
	AiSC	Subsidiary	Sale	(2,299,833)	10.45	45 days after month end	Contract price	No significant difference in terms for related parties	892,044	21.51	
	AKMC	Subsidiary	Sale	(836,773)	3.80	45 days after month end	Contract price	No significant difference in terms for related parties	154,300	3.72	
	ASG	Subsidiary	Sale	(143,565)	0.65	60-90 days	Contract price	No significant difference in terms for related parties	19,437	0.47	
	AJP	Subsidiary	Sale	(333,699)	1.52	60-90 days	Contract price	No significant difference in terms for related parties	40,430	0.98	
	AAU	Subsidiary	Sale	(182,390)	0.83	60-90 days	Contract price	No significant difference in terms for related parties	38,290	0.92	
	ABR	Subsidiary	Sale	(129,234)	0.59	Usual trade terms	Contract price	No significant difference in terms for related parties	44,213	1.07	
	AKR	Subsidiary	Sale	(504,155)	2.29	Payment on demand	Contract price	No significant difference in terms for related parties	11,762	0.28	
	ATC	Subsidiary	Purchase	7,443,061	46.58	60 days after month end	Contract price	No significant difference in terms for related parties	(1,561,992)	58.86	
	Advansus Corp.	Subsidiary	Purchase	690,578	4.35	Usual trade terms	Contract price	No significant difference in terms for related parties	(207,987)	7.84	
	ACA	Subsidiary	Purchase	2,783,841	17.44	Usual trade terms	Contract price	No significant difference in terms for related parties	(251,370)	9.47	
ACN	AiSC	Related enterprise	Sale	(314,834)	9.13	Usual trade terms	Contract price	No significant difference in terms for related parties	36,199	5.48	
ACA	AKMC	Related enterprise	Sale	(1,044,089)	30.29	Usual trade terms	Contract price	No significant difference in terms for related parties	283,511	46.60	
	Advansus Corp.	Related enterprise	Sale	(625,644)	18.15	Usual trade terms	Contract price	No significant difference in terms for related parties	70,619	11.61	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note A)		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AiSC	ACN	Related enterprise	Sale	$ (140,735)	3.55	Usual trade terms	Contract price	No significant difference in terms for related parties	$ 29,241	2.98	
	AKMC	Related enterprise	Sale	(230,997)	5.82	Usual trade terms	Contract price	No significant difference in terms for related parties	55,396	5.64	
AKMC	AiSC	Related enterprise	Sale	(285,439)	7.19	Usual trade terms	Contract price	No significant difference in terms for related parties	70,708	9.76	
	ATC	Parent company	Sale	(6,959,020)	92.25	Usual trade terms	Contract price	No significant difference in terms for related parties	606,394	83.66	
	Netstar Technology Co., Ltd.	Related enterprise	Sale	(213,708)	2.83	Usual trade terms	Contract price	No significant difference in terms for related parties	35,895	4.95	
Advansus Corp.	ACA	Related enterprise	Sale	(234,834)	7.86	Usual trade terms	Contract price	No significant difference in terms for related parties	24,493	4.10	
	AKMC	Related enterprise	Sale	(756,316)	25.32	Usual trade terms	Contract price	No significant difference in terms for related parties	165,525	27.68	
	AKR	Related enterprise	Sale	(115,516)	3.87	Usual trade terms	Contract price	No significant difference in terms for related parties	13,873	2.32	
Advantech-LNC Technology Co., Ltd.	Dongguan Pou Yuen Digital Technology Co., Ltd.	Subsidiary	Sale	(214,577)	67.69	Usual trade terms	Contract price	No significant difference in terms for related parties	49,463	68.81	

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

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note A)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Advantech Co., Ltd. (the "Company")	AEU	Subsidiary	$ 793,247	3.11	$ -	-	$ 185,061	$ -
	AiSC	Subsidiary	892,044	3.18	-	-	260,292	-
	ACN	Subsidiary	642,726	3.41	-	-	191,256	-
	ANA	Subsidiary	334,501	15.19	-	-	298,050	-
	AKMC	Subsidiary	154,300	8.18	-	-	88,090	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	207,987	5.86	-	-	83,089	-
	AKMC	Related enterprise	165,525	5.67	-	-	65,770	-
ATC	Advantech Co., Ltd.	Parent company	1,561,992	5.15	-	-	830,790	-
ACA	Advantech Co., Ltd.	Parent company	251,370	20.55	-	-	224,238	-
AKMC	ATC	Parent company	606,394	12.57	-	-	606,394	-
ACA	AKMC	Related enterprise	283,511	5.56	-	-	106,618	-
ANA	AKMC	Related enterprise	141,217	0.08	-	-	2,811	-

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment and management service	$ 993,108	$ 993,108	29,623,834	100.00	$ 2,895,575	$ 372,277	$ 372,571	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	3,190,050	239,702	238,003	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	621,497	194,189	184,943	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment holding company	900,000	900,000	90,000,000	100.00	1,022,471	112,476	114,209	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	26.45	363,653	268,817	68,249	Equity-method investee
	AdvanPOS Technology Co., Ltd.	Taipei, Taiwan	Production and sale of POS system	319,461	-	12,778,455	64.47	320,720	13,230	(1,088)	Subsidiary
	Advantech-LNC Technology Co., Ltd.	Taichung, Taiwan	Production and sale of machine control solution	530,000	-	30,000,000	100.00	508,396	(13,957)	(23,992)	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,146,489	1,146,489	9,572,024	100.00	855,422	(5,246)	(5,617)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	92,054	9,877	9,877	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	51,307	1,758	1,758	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	142,908	1,929	1,929	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	36,779	6,499	6,499	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	216,669	59,518	59,518	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	39,616	-	1,419,804	63.28	40,194	15,128	8,294	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of industrial automation products	146,440	141,562	8,000,000	100.00	397,837	238,539	237,130	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	(1,053)	(2,122)	(2,122)	Subsidiary
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	-	50,000	-	-	-	(2,404)	(2,404)	Note B
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	291,196	287,564	23,873,167	95.49	343,175	74,069	70,155	Subsidiary
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	142,063	142,063	6,777,571	100.00	185,119	38,252	38,252	Note B
	Cermate Technology Inc.	Taipei, Taiwan	Production and sale of electrical equipment, telecommunications equipment and electronic parts manufacturing	71,500	71,500	5,500,000	55.00	103,549	17,724	9,748	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	-	40,816	-	-	-	268,817	4,727	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	2,262,573	173,848	173,848	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,618,057	192,831	192,831	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,441,943	179,500	179,500	Subsidiary
ANA	AMX	Mexico	Sale of industrial automation products	4,922	2,047	-	100.00	2,196	(1,433)	(1,433)	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	316,403	316,403	8,609,658	100.00	770,168	(10,062)	(10,062)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	47,709	4,546	4,546	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	625,674	23,250	23,250	Subsidiary
	GPEG	London, UK	Design, R&D and sale of gaming computer products	278,641	-	221,176	100.00	286,627	(1,719)	(1,719)	Subsidiary
GPEG	GPEG K&M	Korea	Design, R&D and sale of gaming computer products	8,175	-	5,000	25.00	31,336	6,818	-	Equity-method investee
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	14,090	4,756	2,426	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	3,330	300,000	100.00	1,172	(3,004)	(3,004)	Subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	7,444	2,517	704	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount December 31, 2013	Investment Amount December 31, 2012	Balance as of December 31, 2013 Shares	Balance as of December 31, 2013 Percentage of Ownership	Balance as of December 31, 2013 Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note)	Note
Cermate Technology Inc.	LandMark	BVI	General investment	$ 28,200	$ 28,200	972,284	100.00	$ 43,879	$ 9,923	$ 9,923	Subsidiary
Advantech-LNC Technology Co., Ltd.	Better Auto	BVI	General investment	264,445	264,445	8,556,096	100.00	149,259	(10,730)	(12,315)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	146,062	(2)	(2)	Subsidiary
AdvanPOS Technology Co., Ltd.	Bright Mind Limited	Samoa	General investment	US$ 200	US$ 200	200	100.00	53	(2,971)	(2,971)	Subsidiary

Note A: The financial statements used as basis of net asset values had been audited by independent CPAs, except those of AIN.

Note B: Subsidiary AiST and Broadwin Technology Inc. (“Broadwin”) had merged as of June 30, 2013.

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2013
(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, 2013 (Note E)	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2013 (Note E)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes A and B)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$ 41,650 Thousand (Note F)	Indirect	$ 1,111,727 (US$ 37,300 thousand)	$ -	$ -	$ 1,111,727 (US$ 37,300 thousand)	100	$ 173,848	$ 2,262,573	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$ 4,230 thousand	Indirect	158,920 (US$ 5,332 thousand)	-	-	158,920 (US$ 5,332 thousand)	100	99,284	753,227	334,859 (US$ 11,235 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US$ 8,000 thousand	Indirect	238,440 (US$ 8,000 thousand)	-	-	238,440 (US$ 8,000 thousand)	100	90,652	695,313	-
Xi’an Advantech Software Ltd. (AXA)	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100	(10,491)	(8,425)	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	60	(2,257)	13,045	-

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Maximum Allowable Limit on Investment
$1,515,048 (US$50,832 thousand) (Note E)	$2,056,545 (US$69,000 thousand)	$11,652,114 (Note H)

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. (the “Company”) and its investees in Mainland China are described in Note 35 of the financial statements and Tables 1, 6 and 7.

Note C: Remittance by Advantech Automation Corp. (H.K.) Limited.

(Continued)

Note D: Remittance by ACN.

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

Note F: For Advantech Technology (China) Company Ltd., there was a capital increase US$4,350 thousand out of earnings as of December 31, 2013.

Note G: The exchange rate was US$1.00=NT$29.805.

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

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

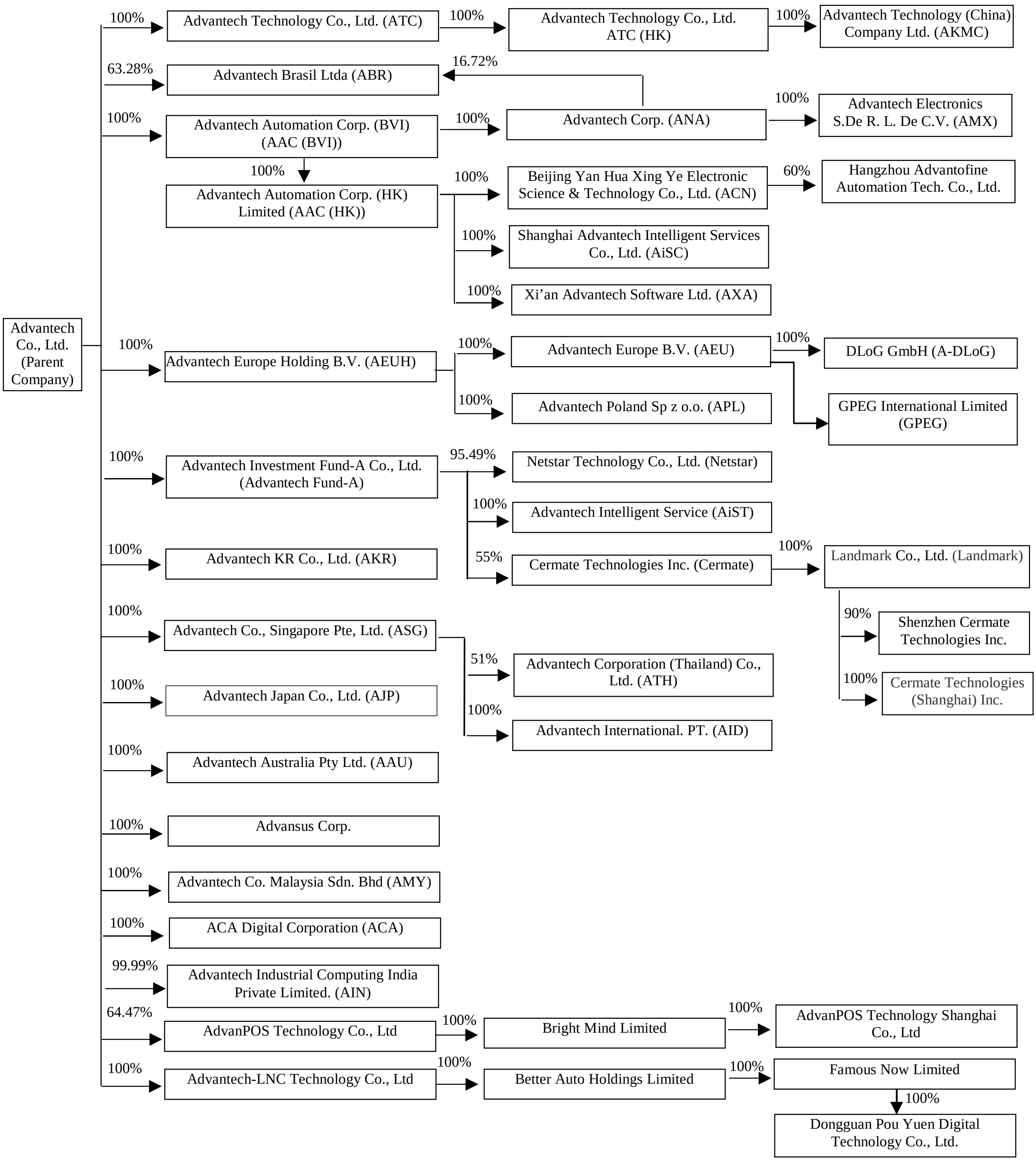
(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

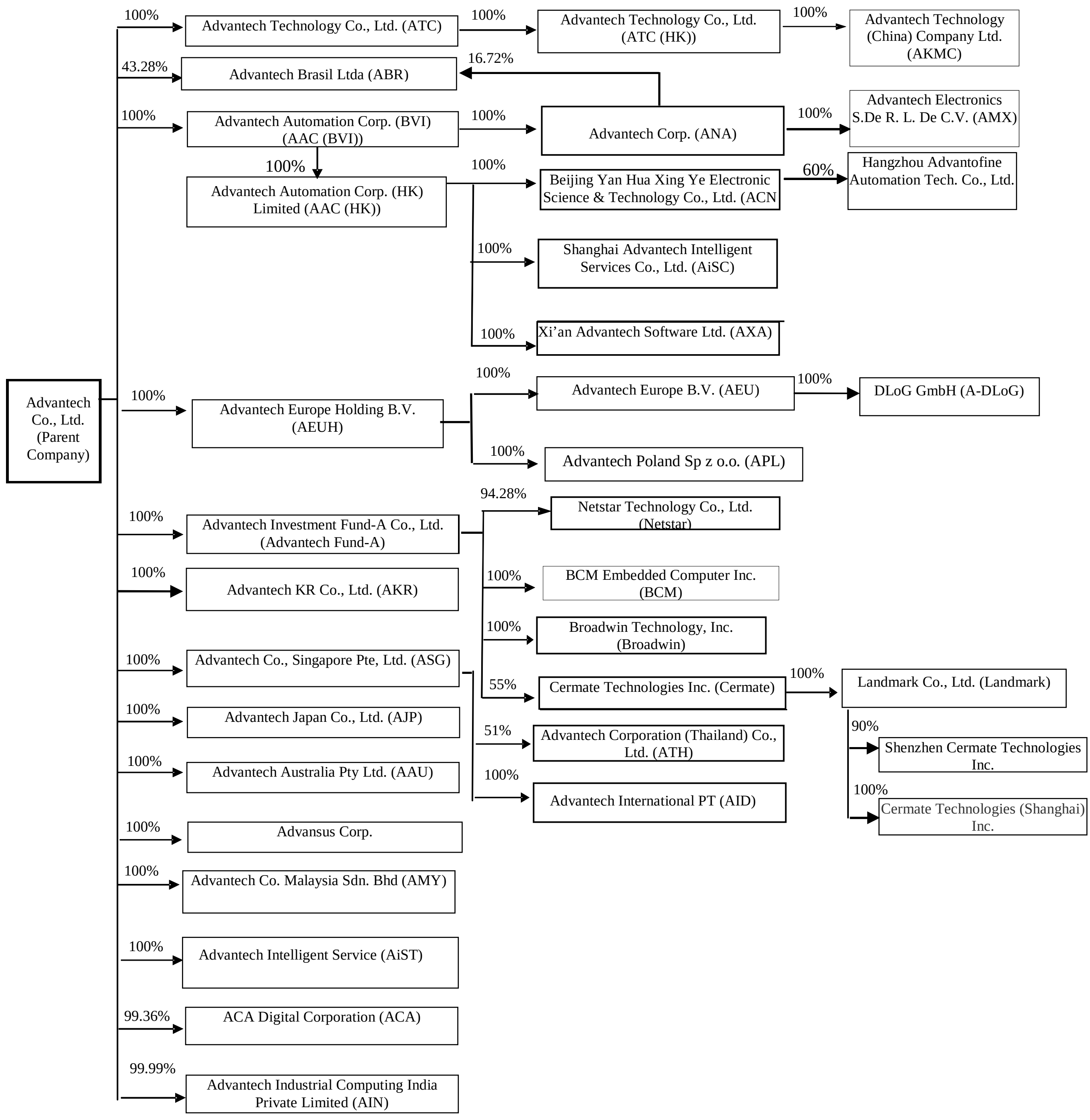
ORGANIZATION CHART
DECEMBER 31, 2013 AND 2012

Intercompany relationships and percentages of ownership as of December 31, 2013 are shown below:



(Continued)

Intercompany relationships and percentages of ownership as of December 31, 2012 are shown below:



ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

,
December 31, 2013

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	AAC (HK)	1	Receivables from related parties	$ 12	45 days EOM	-
		AAU	1	Other revenue	3,187	Normal	-
		AAU	1	Receivables from related parties	38,924	Normal	-
		AAU	1	Sales	182,390	Normal	1
		ABR	1	Other revenue	3,269	Normal	-
		ABR	1	Receivables from related parties	44,953	90 days EOM	-
		ABR	1	Sales	129,234	Normal	-
		ACA	1	Receivables from related parties	518	30 days EOM	-
		ACA	1	Sales	1,036	Normal	-
		ACA	1	Other revenue	5,040	45 days after invoice date	-
		ACN	1	Receivables from related parties	642,762	45 days EOM	2
		ACN	1	Sales	2,118,795	Normal	7
		A-DLoG	1	Other revenue	5,694	Normal	-
		A-DLoG	1	Receivables from related parties	945	30 days after invoice date	-
		A-DLoG	1	Sales	41,979	Normal	-
		AEU	1	Other revenue	14,918	Normal	-
		AEU	1	Receivables from related parties	933,872	30 days EOM	3
		AEU	1	Sales	2,402,325	Normal	8
		AEU	1	Interest revenue	454	Normal	-
		AID	1	Receivables from related parties	451	45 days after invoice date	-
		AID	1	Sales	1,857	Normal	-
		AIN	1	Sales	16,323	Normal	-
		AIN	1	Receivables from related parties	18,626	60 days EOM	-
		AiSC	1	Receivables from related parties	892,188	45 days EOM	3
		AiSC	1	Sales	2,299,833	Normal	8
		AJP	1	Other revenue	4,697	Normal	-
		AJP	1	Receivables from related parties	40,887	60-90 days	-
		AJP	1	Sales	333,699	Normal	1
		AKMC	1	Receivables from related parties	154,300	45 days EOM	1
		AKMC	1	Sales	836,773	Normal	3
		AKR	1	Other revenue	5,269	Normal	-
		AKR	1	Receivables from related parties	11,906	Immediate payment	-
		AKR	1	Sales	504,155	Normal	2
		AMY	1	Other revenue	2,249	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AMY	1	Receivables from related parties	$ 12,333	45 days EOM	-
		AMY	1	Sales	64,829	Normal	-
		ANA	1	Other revenue	21,275	Normal	-
		ANA	1	Receivables from related parties	337,703	45 days EOM	1
		ANA	1	Sales	6,961,724	Normal	23
		APL	1	Receivables from related parties	468	45 days EOM	-
		APL	1	Sales	10,075	Normal	-
		ASG	1	Other revenue	2,972	Normal	-
		ASG	1	Receivables from related parties	19,971	60-90 days	-
		ASG	1	Sales	143,565	Normal	-
		ATC	1	Royalty revenue	377,646	Normal	1
		ATH	1	Other revenue	2,325	Normal	-
		ATH	1	Receivables from related parties	2,931	30 days after invoice date	-
		ATH	1	Sales	40,532	Normal	-
		Cermate Technologies Inc.	1	Sales	635	Normal	-
		Cermate Technologies Inc.	1	Receivables from related parties	674	30 days EOM	-
		Cermate Technologies Inc.	1	Other revenue	720	Normal	-
		Advantech Fund-A	1	Rent revenue	36	Normal	-
		AiST	1	Receivables from related parties	11,826	Normal	-
		AiST	1	Sales	48,094	Normal	-
		AiST	1	Other revenue	960	Normal	-
		Advansus Corp.	1	Rent revenue	60	Normal	-
		Advansus Corp.	1	Receivables from related parties	7,639	60-90 days	-
		Advansus Corp.	1	Sales	40,354	Normal	-
		Netstar Technology Co., Ltd.	1	Sales	106	Normal	-
		Netstar Technology Co., Ltd.	1	Receivables from related parties	171	25th of every month	-
		Netstar Technology Co., Ltd.	1	Other revenue	960	Normal	-
		AdvanPOS Technology Co., Ltd.	1	Sales	16,272	Normal	-
		AdvanPOS Technology Co., Ltd.	1	Receivables from related parties	8,756	60 days EOM	-
		Advantech-LNC Technology Co., Ltd	1	Sales	1,591	Normal	-
		Advantech-LNC Technology Co., Ltd	1	Receivables from related parties	1,502	60-90 days EOM	-
1	ACN	AEU	3	Sales	2,125	Normal	-
		AEU	3	Receivables from related parties	675	30 days EOM	-
		AiSC	3	Sales	314,834	Normal	1
		AiSC	3	Receivables from related parties	36,199	Immediate payment	-
		AKMC	3	Receivables from related parties	1,799	60-90 days	-
		AKMC	3	Sales	10,521	Normal	-
		AKR	3	Sales	121	Normal	-
		AMY	3	Sales	24	Normal	-
		ANA	3	Sales	870	30 days EOM	-
		ASZ	3	Receivables from related parties	4,135	45 days EOM	-
		AXA	3	Receivables from related parties	55,818	60 days EOM	-
		Advantech Co., Ltd.	2	Sales	106	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	121	30 days EOM	-
		Hangzhou Advantofine Automation Co., Ltd.	3	Receivables from related parties	714	60 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
2	AAU	AKMC	3	Receivables from related parties	$ 117	30 days after invoice date	-
		AKMC	3	Sales	1,013	Normal	-
		Advantech Co., Ltd.	2	Sales	38	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	100	60-90 days	-
		Advantech Co., Ltd.	2	Other revenue	180	Normal	-
3	ABR	Advantech Co., Ltd.	2	Receivables from related parties	75	Normal	-
4	ACA	AKMC	3	Receivables from related parties	283,511	45 days EOM	1
		AKMC	3	Sales	1,044,089	Normal	3
		Advantech Co., Ltd.	2	Receivables from related parties	251,370	30 days EOM	1
		Advantech Co., Ltd.	2	Sales	2,786,863	Normal	9
		Advansus Corp.	3	Sales	625,644	Normal	2
		Advansus Corp.	3	Receivables from related parties	70,619	45 days EOM	-
5	ADL	AEU	3	Commission revenue	83,499	Normal	-
		AEU	3	Receivables from related parties	14,261	30 days after invoice date	-
		ATC	3	Receivables from related parties	5,586	7 days after invoice date	-
		Advantech Co., Ltd.	2	Receivables from related parties	109	30 days after invoice date	-
	AFR	AEU	3	Commission revenue	46,012	Normal	-
	AIT	AEU	3	Commission revenue	1,243	Normal	-
	AUK	AEU	3	Commission revenue	17,578	Normal	-
		AEU	3	Royalty revenue	2,298	Normal	-
		ANA	3	Royalty revenue	1,466	Normal	-
		AEU	3	Receivables from related parties	7,289	30 days after invoice date	-
		ANA	3	Receivables from related parties	1,051	Immediate payment	-
		ATC	3	Receivables from related parties	3,318	30 days after invoice date	-
	AFR	ADL	3	Receivables from related parties	1,001	30 days after invoice date	-
		AEU	3	Receivables from related parties	9,502	30 days after invoice date	-
		ANA	3	Receivables from related parties	24	30 days after invoice date	-
		A-DLoG	3	Receivables from related parties	822	30 days upon delivery	-
	AIT	AEU	3	Receivables from related parties	5,398	30 days after invoice date	-
6	AEUH	ADL	3	Interest revenue	99	Normal	-
		AEU	3	Interest revenue	657	Normal	-
		AEU	3	Receivables from related parties	30,954	30 days after invoice date	-
7	Advantech-LNC Technology Co., Ltd	Dongguan Pou Yuen Digital Technology Co., Ltd.	3	Sales	214,577	Normal	1
		Dongguan Pou Yuen Digital Technology Co., Ltd.	3	Receivables from related parties	49,463	90 days EOM	-
		AKMC	3	Sales	724	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
8	AiSC	ACN	3	Receivables from related parties	$ 29,241	25th of every month	-
		ACN	3	Sales	140,735	Normal	-
		ACN	3	Interest revenue	1,664	Normal	-
		ACA	3	Sales	24,384	60 days after invoice date	-
		ACA	3	Receivables from related parties	5,383	60 days after invoice date	-
		AEU	3	Sales	108	Immediate payment	-
		AEU	3	Receivables from related parties	24	Immediate payment	-
		AJP	3	Sales	86	Normal	-
		AKMC	3	Receivables from related parties	55,396	30 days EOM	-
		AKMC	3	Sales	230,997	Normal	1
		ANA	3	Receivables from related parties	10,991	Immediate payment	-
		ANA	3	Sales	5,550	Normal	-
		ASG	3	Sales	649	30 days EOM	-
		ASG	3	Receivables from related parties	493	30 days EOM	-
		Advantech Co., Ltd.	2	Sales	904	60 days after invoice date	-
		Advantech Co., Ltd.	2	Receivables from related parties	4	45 days EOM	-
		Hangzhou Advantofine Automation Co., Ltd.	3	Receivables from related parties	15,404	Immediate payment	-
		Hangzhou Advantofine Automation Co., Ltd.	3	Sales	42,611	Normal	-
		AKR	3	Sales	485	Normal	-
9	AJP	Advantech Co., Ltd.	2	Receivables from related parties	277	60-90 days	-
		Advantech Co., Ltd.	2	Sales	49	Normal	-
		ASG	3	Sales	9	Normal	-
10	AKMC	ACA	3	Sales	1,843	Next 30 days EOM	-
		ACN	3	Receivables from related parties	9,662	60-90 days	-
		ACN	3	Sales	47,923	Normal	-
		ACN	3	Rent revenue	4,341	Normal	-
		AEU	3	Sales	332	Normal	-
		AiSC	3	Receivables from related parties	70,708	Immediate payment	-
		AiSC	3	Sales	285,439	Normal	1
		AJP	3	Receivables from related parties	4	30 days EOM	-
		AKR	3	Sales	75	Normal	-
		ANA	3	Sales	345	Normal	-
		ANA	3	Receivables from related parties	91	60-90 days	-
		ASG	3	Sales	10	Normal	-
		ATC	3	Receivables from related parties	606,394	60-90 days	2
		ATC	3	Sales	6,959,020	Normal	23
		Advantech Co., Ltd.	2	Receivables from related parties	1,199	60 days EOM	-
		Cermate Technologies Inc.	3	Sales	717	Normal	-
		Advansus Corp.	3	Receivables from related parties	2,065	Immediate payment	-
		Advansus Corp.	3	Sales	12,905	Normal	-
		Netstar Technology Co., Ltd.	3	Sales	213,708	Normal	1
		Netstar Technology Co., Ltd.	3	Receivables from related parties	35,895	Next 60 days EOM	-
		AJP	3	Sales	4	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
11	AKR	Advantech Co., Ltd.	2	Sales	$ 71	Normal	-
		ANA	3	Sales	11	Normal	-
12	AMY	ASG	3	Other revenue	456	Normal	-
		ATH	3	Sales	329	Normal	-
		Advantech Co., Ltd.	2	Sales	23	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	10	Normal	-
13	ANA	AAU	3	Receivables from related parties	1	60-90 days	-
		AAU	3	Sales	24	Normal	-
		ABR	3	Sales	9	Normal	-
		ACA	3	Sales	4,341	60 days after invoice date	-
		ACA	3	Receivables from related parties	4,357	60 days after invoice date	-
		ACN	3	Receivables from related parties	28	30 days EOM	-
		ACN	3	Sales	28	Normal	-
		AIT	3	Sales	186	Normal	-
		AEU	3	Sales	13,264	Normal	-
		AEU	3	Receivables from related parties	12,438	60-90 days	-
		AJP	3	Sales	529	Normal	-
		AKR	3	Sales	389	Normal	-
		AKMC	3	Receivables from related parties	141,217	30 days after invoice date	1
		AKMC	3	Sales	11,602	Normal	-
		AKMC	3	Interest revenue	2,820	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	8,111	45 days EOM	-
		Advantech Co., Ltd.	2	Sales	76,014	Normal	-
		Netstar Technology Co., Ltd.	3	Receivables from related parties	5	60-90 days	-
		Advansus Corp.	3	Receivables from related parties	273	90 days after invoice date	-
		Netstar Technology Co., Ltd.	3	Sales	5	Normal	-
		Advansus Corp.	3	Sales	405	Normal	-
14	APL	AEU	3	Receivables from related parties	35,487	30 days after invoice date	-
		AEU	3	Sales	44,750	Normal	-
		AEU	3	Commission revenue	7,490	60 days EOM	-
		Advantech Co., Ltd.	2	Sales	19	Normal	-
		AEU	3	Receivables from related parties	360	30 days after invoice date	-
15	ASG	AEU	3	Receivables from related parties	69	30 days EOM	-
		AEU	3	Sales	69	Normal	-
		AID	3	Receivables from related parties	493	30 days upon delivery	-
		AID	3	Sales	2,439	30 days after invoice date	-
		AMY	3	Sales	9,122	Normal	-
		AMY	3	Receivables from related parties	590	30 days EOM	-
		ATH	3	Sales	4,492	Normal	-
		ATH	3	Other revenue	3,180	Normal	-
		ATH	3	Receivables from related parties	267	30 days EOM	-
		Advantech Co., Ltd.	2	Sales	151	Normal	-
		Advantech Co., Ltd.	2	Other revenue	568	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	153	60-90 days	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
16	ATC	AKMC	3	Sales	$ 46,716	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,561,992	60 days EOM	6
		Advantech Co., Ltd.	2	Sales	7,443,061	Normal	24
17	ATH	ASG	3	Other revenue	81	45 days after invoice date	-
18	AXA	ACN	3	Receivables from related parties	1,517	25th of every month	-
		AiSC	3	Sales	35,178	60 days EOM	-
19	A-DLoG	AAU	3	Sales	52	Normal	-
		AEU	3	Sales	1,282	30 days upon delivery	-
		AEU	3	Receivables from related parties	35	30 days upon delivery	-
		AJP	3	Sales	207	Normal	-
		ASG	3	Sales	11	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	10,121	30 days after invoice date	-
		Advantech Co., Ltd.	2	Sales	43,851	Normal	-
20	AEU	Advantech Co., Ltd.	2	Sales	1,498	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,749	30 days EOM	-
		AUK	3	Receivables from related parties	90	30 days after invoice date	
		ATC	3	Receivables from related parties	1,273	30 days after invoice date	-
		ASG	3	Sales	44	Normal	-
		ANA	3	Sales	34,614	Normal	-
		ANA	3	Receivables from related parties	148	30 days after invoice date	-
		AKR	3	Sales	681	Normal	-
		AKMC	3	Receivables from related parties	114	Normal	-
		AKMC	3	Sales	88	Normal	-
		AIT	3	Receivables from related parties	142	30 days after invoice date	-
		AIT	3	Sales	1,362	30 days after invoice date	-
		A-DLoG	3	Receivables from related parties	3,260	30 days upon delivery	-
		A-DLoG	3	Sales	25,143	30 days upon delivery	-
		ADL	3	Receivables from related parties	271	30 days after invoice date	-
		ADL	3	Other revenue	83,499	Normal	-
		ACN	3	Receivables from related parties	137	30 days after invoice date	-
21	Cermate (Shenzhen)	AKMC	3	Sales	30,697	40 days EOM	-
		AKMC	3	Receivables from related parties	206	40 days EOM	-
		Cermate (Shanghai)	3	Sales	24,272	Normal	-
		Cermate Technologies Inc.	3	Sales	19,208	Normal	-
		Cermate Technologies Inc.	3	Receivables from related parties	1,292	60 days EOM	-
		ACN	3	Sales	4	Normal	-
	Cermate Technologies Inc.	Advantech Co., Ltd.	2	Receivables from related parties	1,254	30-60 days	-
22	Cermate Technologies Inc.	Advantech Co., Ltd.	2	Sales	7,360	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	25,358	30 days EOM	-
		Cermate (Shenzhen)	3	Sales	81,696	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	Cermate (Shanghai)	Cermate (Shenzhen)	3	Receivables from related parties	$ 1,078	60 days EOM	-
		Cermate (Shenzhen)	3	Sales	398	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	1,078	60 days EOM	-
24	Advansus Corp.	ACA	3	Sales	234,834	Normal	1
		ACA	3	Receivables from related parties	24,493	30 days EOM	-
		AKMC	3	Sales	756,316	Normal	2
		AKMC	3	Receivables from related parties	165,525	60-90 days	1
		AKR	3	Sales	115,516	Normal	-
		AKR	3	Receivables from related parties	13,873	60-90 days	-
		ANA	3	Receivables from related parties	1	30 days EOM	-
		ANA	3	Sales	61	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	207,987	60-90 days	1
		Advantech Co., Ltd.	2	Sales	694,703	Normal	2
		Netstar Technology Co., Ltd.	3	Sales	4	Normal	-
		AdvanPOS Technology Co., Ltd.	3	Receivables from related parties	602	60 days EOM	-
		AdvanPOS Technology Co., Ltd.	3	Sales	6,426	Normal	-
25	Netstar Technology Co., Ltd.	AJP	3	Sales	968	Normal	-
		AKMC	3	Sales	2,454	Normal	-
		AKMC	3	Receivables from related parties	931	Next 60 days EOM	-
		ANA	3	Sales	402	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	24,649	60 days EOM	-
		Advantech Co., Ltd.	2	Sales	81,310	Normal	-
		ANA	3	Receivables from related parties	196	60 days EOM	-
		AiSC	3	Receivables from related parties	525	30 days EOM	-
		AiSC	3	Sales	526	Normal	-
26	AAC (HK)	Advantech Co., Ltd.	2	Other revenue	4,496	60 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	715	45 days EOM	-
27	Hangzhou Advantofine Automation Co., Ltd.	ACN	3	Sales	894	Normal	-
		ACN	3	Receivables from related parties	546	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	7	30 days EOM	-
29	AIN	Advantech Co., Ltd.	2	Sales	420	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,229	60 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	5,996	Normal	-
31	AiST	Advantech Co., Ltd.	2	Receivables from related parties	581	30 days EOM	-
		Advantech Co., Ltd.	2	Sales	5,388	Normal	-
		AiSC	3	Receivables from related parties	300	90 days EOM	-
		ACN	3	Receivables from related parties	11	90 days EOM	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details (Note D)			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
32	AMX	ANA	3	Receivables from related parties	$ 787	Immediate payment	-
		Advantech Co., Ltd.	2	Receivables from related parties	787	Immediate payment	-
		Advantech Co., Ltd.	2	Other revenue	2,783	Normal	-
33	AdvanPOS Technology Co., Ltd.	AdvanPOS Technology Shanghai Co., Ltd.	3	Receivables from related parties	6,071	30 days after invoice date	-
		AdvanPOS Technology Shanghai Co., Ltd.	3	Sales	3,707	Normal	-
		AdvanPOS Technology Shanghai Co., Ltd.	3	Other revenue	26	Normal	-
		Advansus Corp.	3	Sales	4	Normal	-
		AiSC	3	Sales	2,854	Normal	-
		AKMC	3	Receivables from related parties	741	30 days after invoice date	-
		AKMC	3	Sales	734	Normal	-
		ATH	3	Receivables from related parties	82	30 days after invoice date	-
		ATH	3	Sales	81	Normal	-

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

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

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

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2013, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2013.

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

(Concluded)