Advantech Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. (the "Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as stated in Note 11 to the 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 by the equity method. The 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 the other auditors. The carrying values of these investments were 8.11% (NT$2,053,667 thousand) and 6.68% (NT$1,484,265 thousand) of the Company's total assets as of December 31, 2013 and 2012, respectively. Also, the shares of profit and loss of subsidiaries and associates accounted for using the equity method were 2.63% (NT$126,925 thousand) and 3.12% (NT$123,640 thousand) of the Company's profit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 28, 2014

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

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

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

ADVANTECH CO., LTD.

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

ASSETS	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT ASSETS						
Cash and cash equivalent (Note 6)	$ 1,035,205	4	$ 1,087,928	5	$ 752,205	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 25)	2,723	-	16,879	-	57,204	-
Available-for-sale financial assets - current (Notes 4, 8 and 25)	1,243,860	5	620,148	3	365,149	2
Notes receivable from unrelated parties (Notes 4 and 9)	31,766	-	86,185	1	90,955	-
Trade receivables from unrelated parties (Notes 4 and 9)	844,825	3	853,078	4	771,892	4
Trade receivables from related parties, net (Note 4 and 26)	3,105,061	12	2,724,065	12	2,394,400	12
Other receivables from unrelated parties	86,288	-	55,726	-	46,352	-
Other receivables from related parties (Note 26)	151,088	1	16,106	-	31,330	-
Inventories (Notes 4 and 10)	1,277,072	5	1,411,444	6	1,608,079	8
Other current assets (Note 27)	136,208	1	127,274	1	16,322	-
Total current assets	7,914,096	31	6,998,833	32	6,133,888	30
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 25)	1,829,292	7	2,271,747	10	2,309,762	11
Investments accounted for using the equity method (Notes 4 and 11)	10,752,532	43	8,769,056	39	7,986,655	39
Property, plant and equipment (Notes 4 and 12)	4,608,115	18	3,967,902	18	3,913,668	19
Other intangible assets (Note 4)	90,729	1	83,028	-	64,740	-
Deferred tax assets (Notes 4 and 18)	82,785	-	106,967	1	83,164	1
Prepayments for equipment	7,354	-	12,348	-	21,242	-
Other noncurrent assets	25,975	-	7,794	-	5,787	-
Total noncurrent assets	17,396,782	69	15,218,842	68	14,385,018	70
TOTAL	$ 25,310,878	100	$ 22,217,675	100	$ 20,518,906	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 25)	$ 23,722	-	$ 9,620	-	$ 53,516	-
Trade payables from unrelated parties	576,396	2	501,215	2	575,300	3
Trade payables to related parties (Note 26)	2,077,386	8	1,427,271	6	1,413,342	7
Other payables (Note 14)	1,855,568	7	1,315,580	6	1,071,251	5
Current tax liabilities (Notes 4 and 18)	601,952	3	336,962	2	331,218	2
Short-term provision for contingent service cost (Note 4)	33,413	-	34,824	-	37,919	-
Current portion of long-term borrowings and bonds payable (Notes 4, 13 and 25)	18,348	-	-	-	-	-
Other current liabilities	93,060	1	97,689	1	103,620	-
Total current liabilities	5,279,845	21	3,723,161	17	3,586,166	17
NONCURRENT LIABILITIES						
Bonds payable (Notes 4, 13 and 25)	-	-	184,660	1	760,331	4
Deferred tax liabilities (Notes 4 and 18)	617,497	2	543,601	2	507,467	2
Accrued pension liabilities (Notes 4 and 15)	154,184	1	146,875	1	163,835	1
Credit balance of investments accounted for using the equity method (Notes 4 and 11)	1,053	-	-	-	159	-
Total noncurrent liabilities	772,734	3	875,136	4	1,431,792	7
Total liabilities	6,052,579	24	4,598,297	21	5,017,958	24
EQUITY						
Share capital						
Ordinary shares	5,669,249	22	5,639,971	25	5,517,971	27
Advance receipts for share capital	24,751	-	-	-	11,990	-
Total share capital	5,694,000	22	5,639,971	25	5,529,961	27
Capital surplus						
Additional paid in capital from share issuance in excess of par value	4,870,500	19	4,563,350	20	3,751,469	19
Employee stock options	121,023	1	138,435	1	256,210	1
Changes in percentage of ownership in related parties recognized under the equity method	4,112	-	-	-	-	-
Total capital surplus	4,995,635	20	4,701,785	21	4,007,679	20
Retained earnings						
Legal reserve	3,061,424	12	2,715,185	12	2,359,911	12
Special reserve	-	-	545,303	3	621,662	3
Unappropriated earnings	5,452,733	22	3,952,535	18	3,524,919	17
Total retained earnings	8,514,157	34	7,213,023	33	6,506,492	32
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	19,258,299	76	17,619,378	79	15,500,948	76
TOTAL	$ 25,310,878	100	$ 22,217,675	100	$ 20,518,906	100

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

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

ADVANTECH CO., LTD.

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

	Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)				
Sales	$ 21,581,636	98	$ 19,289,586	98
Other operating revenue	435,961	2	294,276	2
Total operating revenue	22,017,597	100	19,583,862	100
OPERATING COSTS (Notes 10, 17 and 26)	15,979,891	72	14,553,532	75
GROSS PROFIT	6,037,706	28	5,030,330	25
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(246,869)	(1)	(256,306)	(1)
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES (Note 4)	256,306	1	200,167	1
REALIZED GROSS PROFIT (LOSS)	6,047,143	28	4,974,191	25
OPERATING EXPENSES (Notes 17 and 26)				
Selling and marketing expenses	524,228	3	382,805	2
General and administrative expenses	684,986	3	579,858	3
Research and development expenses	2,008,245	9	1,770,962	9
Total operating expenses	3,217,459	15	2,733,625	14
OPERATING PROFIT	2,829,684	13	2,240,566	11
NONOPERATING INCOME AND EXPENSES				
Share of the profit of associates and joint ventures (Notes 4 and 11)	1,267,757	6	995,846	5
Interest income (Notes 4 and 26)	4,862	-	4,203	-
Gain (loss) on disposal of property, plant and equipment (Note 4)	(433)	-	34,484	-
Gain on disposal of investments (Note 4)	69,180	-	56,985	-
Foreign exchange gain, net (Note 4)	102,188	-	-	-
Valuation gain on financial instruments at FVTPL (Notes 4 and 7)	34,883	-	112,256	1
Dividend income (Note 4)	116,875	1	95,813	-
Other income (Notes 8 and 26)	477,126	2	525,505	3
Finance costs (Note 17)	(2,768)	-	(11,854)	-
Valuation loss on financial instruments at FVTPL (Notes 4 and 7)	(76,812)	-	(45,597)	-

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ADVANTECH CO., LTD.

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

	Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Foreign exchange loss, net (Note 4)	$ -	-	$ (50,191)	-
Other losses	(44)	-	(109)	-
Total nonoperating income and expenses	1,992,814	9	1,717,341	9
PROFIT BEFORE INCOME TAX	4,822,498	22	3,957,907	20
INCOME TAX EXPENSE (Notes 4 and 18)	716,101	3	486,116	2
NET PROFIT FOR THE YEAR	4,106,397	19	3,471,791	18
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	278,510	1	(228,934)	(1)
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 16)	(298,007)	(1)	819,730	4
Actuarial gain (loss) on defined benefit plan (Note 15)	(11,468)	-	12,243	-
Share of the other comprehensive income (loss) of associates and joint ventures (Notes 4 and 16)	57,862	-	(4,385)	-
Income tax relating to the components of other comprehensive income (expense) (Notes 4, 16 and 18)	(46,058)	-	19,291	-
Other comprehensive income (loss) for the period, net of income tax	(19,161)	-	617,945	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,087,236	19	$ 4,089,736	21
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 19)				
Basic	$ 7.26		$ 6.23	
Diluted	$ 7.20		$ 6.17	

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

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

ADVANTECH CO., LTD.

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

	Issued Capital (Notes 16 and 20)				Retain Earnings (Notes 4, 16 and 22)				Other Equity (Notes 4 and 16)		
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 4, 16 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 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
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)
Issue of ordinary shares for employee share options	45,500	(11,990)	33,510	137,675	-	-	-	-	-	-	171,185
Compensation cost recognized for employee share options	-	-	-	45,406	-	-	-	-	-	-	45,406
Convertible bonds converted to ordinary shares	76,500	-	76,500	511,025	-	-	-	-	-	-	587,525
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	(2,214)	(2,214)	-	-	(2,214)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	(8,227)	(8,227)	-	-	(8,227)
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	3,471,791	3,471,791	-	-	3,471,791
Other comprehensive income for the year ended December 31, 2012, net of income tax	-	-	-	-	-	-	10,162	10,162	(209,753)	817,536	617,945
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	-	3,481,953	3,481,953	(209,753)	817,536	4,089,736
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
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)
Issue of ordinary shares for employee share options	15,590	15,910	31,500	123,274	-	-	-	-	-	-	154,774
Compensation cost recognized for employee share options	-	-	-	19,913	-	-	-	-	-	-	19,913
Change in capital surplus from investments in subsidiaries, and joint ventures accounted for using the equity method	-	-	-	4,112	-	-	-	-	-	-	4,112
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	(32,608)	(32,608)	-	-	(32,608)
Convertible bonds converted to ordinary shares	13,688	8,841	22,529	146,551	-	-	-	-	-	-	169,080
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	4,106,397	4,106,397	-	-	4,106,397
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(9,069)	(9,069)	234,386	(244,478)	(19,161)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	4,097,328	4,097,328	234,386	(244,478)	4,087,236
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

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

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

ADVANTECH CO., LTD.

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

	Years Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,822,498	$ 3,957,907
Adjustments for:		
Depreciation expenses	170,842	167,197
Amortization expenses	69,640	68,730
Impairment loss recognized on trade receivables	9,374	495
Compensation cost of employee share options	19,913	45,406
Dividend income	(116,875)	(95,813)
Finance costs	2,768	11,854
Interest income	(4,862)	(4,203)
Share of profit of associates and joint ventures	(1,267,757)	(995,846)
Loss (gain) on disposal of property, plant and equipment	433	(34,484)
Gain on disposal of available-for-sale financial assets	(69,180)	(56,985)
Recognized loss on the write-down and disposal of inventories	11,720	84,389
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	41,929	(66,659)
Unrealized (realized) gain on the transactions with subsidiaries, associates and joint ventures	(9,437)	56,139
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	(13,671)	63,088
Decrease in notes receivable	54,419	4,770
Increase in trade receivables	(1,121)	(81,681)
Increase in trade receivables - related parties	(315,746)	(329,665)
Increase in other receivables	(24,139)	(8,977)
Decrease (increase) in other receivable due from related parties	(134,982)	15,224
Decrease in inventories	122,652	112,246
Increase in other current assets	(8,924)	(110,952)
Increase (decrease) in trade payables	75,181	(74,085)
Increase in accounts payable to related parties	650,115	13,929
Decrease in accrued pension liabilities	(4,159)	(4,717)
Increase in other payables	538,577	241,234
Decrease in other current liabilities	(4,629)	(5,931)
Cash generated from operations	4,614,579	2,972,610
Interest received	4,089	3,806
Dividend received	116,875	95,813
Income tax paid	(399,091)	(448,750)
Net cash generated from operating activities	4,336,452	2,623,479
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in prepayments for equipment	(45,822)	8,894
Purchase of available-for-sale financial assets	(4,262,176)	(1,783,300)
Proceeds of the sale of available-for-sale financial assets	3,852,092	2,443,031

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ADVANTECH CO., LTD.

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

	Years Ended December 31	
	2013	**2012**
Net cash outflow from acquisition of subsidiaries	$ (1,093,895)	$ (311,567)
Proceeds from disposal of subsidiaries	50,185	204
Proceeds from capital reduction of investments accounted for using equity method	199,940	-
Dividend received from subsidiaries, associates and joint ventures	375,507	224,750
Payments for property, plant and equipment	(765,382)	(240,875)
Proceeds of the disposal of property, plant and equipment	231	57,672
Increase in refundable deposits	(18,181)	(2,007)
Payments for intangible assets	(72,862)	(90,762)
Net cash (used in) generated from investing activities	(1,780,363)	306,040
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(2,763,586)	(2,764,981)
Employee share options exercised	154,774	171,185
Net cash used in financing activities	(2,608,812)	(2,593,796)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52,723)	335,723
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,087,928	752,205
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,035,205	$ 1,087,928

The accompanying notes are an integral part of the 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 Company, the Company's board of directors resolved on June 30, 2009 to have a short-form merger with Advantech Investment and Management Service (AIMS). The effective merger date was July 30, 2009. As the survivor entity, the Company assumed all assets and liabilities of AIMS.

The functional currency of the Company is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 has 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 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 for IFRS 9 is 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 Company's accounting policies:

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

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. 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 Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Recognition and measurement of financial liabilities

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 Company 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 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.

b) 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 Company 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 Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Company.

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 Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

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

The Company's financial statements for the year ended December 31, 2013 is its first IFRS financial statements prepared in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers.

Statement of Compliance

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

Basis of Preparation

The 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 Company uses the equity method in preparing the financial statements. For the consistency with the consolidated financial statements, accounting adjustments are made within these accounts: "investments accounted for using the equity method," "share of the profit or loss of associates and joint ventures", and "share of other comprehensive income or loss of associates and joint ventures."

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. 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:

a. Liabilities held primarily for the purpose of trading;

b. 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

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

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

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

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

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary 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.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company'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 non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal involving loss of control, joint control, or 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 non-controlling 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.

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.

Investment in Subsidiaries and Associates

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

a. Investment in subsidiaries

   Subsidiaries (including special purpose entities) are the entities controlled by the Company.

   Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

   Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

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

   The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When investment in subsidiary accounted for by equity method is tested for impairment, the cash-generating unit is determined based on the financial statements as a whole. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. Impairment losses attributable to the goodwill cannot be reversed in the subsequent periods.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

b. Investment in associates

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

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

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

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate 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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

The Company discontinues the use of the equity method from the date on which 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 Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

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.

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.

Intangible Assets

a. 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 Company 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.

b. 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.

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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.

Financial Instruments

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

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

a. Financial assets

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

   1) 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.

      a) Financial assets at fair value through profit or loss

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

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

b) Available-for-sale financial assets

Available-for-sale financial assets are nonderivatives 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 Company's right to receive the dividends is established.

c) Loans and receivables

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

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, 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.

2) 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss 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.

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 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.

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) 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 25. Financial liabilities at fair value through profit or loss are subsequently measured at fair value, and the difference between the carrying amount and the fair value is recognized in profit or loss.

2) 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.

d. Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company 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.

e. Derivative financial instruments

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

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

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 Company's obligation by the management of the Company.

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.

a. 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:

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

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

   3) The amount of revenue can be measured reliably;

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

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

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

b. 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.

c. Royalties

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

d. Dividend and interest income

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

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

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.

a. The Company 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.

b. The Company 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.

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 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.

Employee Share Options

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

Taxation

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

a. 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.

b. 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 carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Revenue recognition

As described in Note 4. (l), 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 Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

b. Estimated impairment of trade receivables

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

c. Fair value of financial instruments

As described in Note 25, the Company’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 Company’s management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

d. Useful lives of property, plant and equipment

As described in Note 4. (g), the Company 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.

e. 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.

f. 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	$ 1,546	$ 1,483	$ 1,556
Checking accounts and demand deposits	596,091	616,445	750,649
Time deposits with original maturities less than three months	437,568	470,000	-
	$ 1,035,205	$ 1,087,928	$ 752,205

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			
Foreign exchange forward contracts	$ 2,723	$ 16,879	$ 57,204
Financial liabilities held for trading - current			
Foreign exchange forward contracts	$ 23,722	$ 9,620	$ 53,516

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 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 foreign exchange forward contracts during the 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			
Domestic investments			
Mutual funds	$ 1,243,860	$ 620,148	$ 365,149
Noncurrent			
ASUSTek Computer Inc.	$ 1,404,176	$ 1,784,176	$ 1,576,266
Pegatron Corp.	309,334	370,077	609,132
Chunghwa Telecom Co., Ltd.	115,782	117,524	124,364
	$ 1,829,292	$ 2,271,747	$ 2,309,762

For its securities borrowing and lending transactions, the Company placed some of its quoted domestic stock, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. In 2013 and 2012, the stock held in trust amounted to $1,414,163 thousand and $1,988,659 thousand, respectively. Refer to Table 3 for more detailed information. On the transactions, the Company recognized gains of $1,631 thousand and $9,115 thousand in 2013 and 2012, respectively. These amounts were recorded under other nonoperating income.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 31,766	$ 86,185	$ 90,955
Trade receivables	$ 858,508	$ 857,807	$ 776,126
Less: Allowance for impairment loss	(13,683)	(4,729)	(4,234)
	$ 844,825	$ 853,078	$ 771,892

a. Trade receivables

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
31 to 60 days	$ 4,626	$ 20,527	$ 24,786
61 to 90 days	7,115	19,426	6,162
	$ 11,741	$ 39,953	$ 30,948

The above aging schedule was based on past due dates.

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	$ 4,729	$ 4,234
Add: Impairment losses recognized on receivables	9,374	495
Deduct: Amounts written off as uncollectible	(420)	-
Balance at December 31	$ 13,683	$ 4,729

10. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 470,649	$ 467,437	$ 476,295
Work in progress	222,680	240,472	246,369
Raw materials	536,120	680,709	877,218
Inventories in transit	47,623	22,826	8,197
	$ 1,277,072	$ 1,411,444	$ 1,608,079

The allowance for inventory valuation loss for the years ended December 31, 2013 and 2012 was $98,236 thousand and $153,391 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was $15,979,891 thousand and $14,553,532 thousand.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 included reversal of inventory write-downs of $55,155 thousand, inventory shortage of $559 thousand, and inventory disposal of $66,316 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2012 included inventory write-downs of $36,309 thousand, inventory shortage of $1,919 thousand, and inventory disposal of $46,161 thousand.

11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries	$ 10,388,879	$ 8,438,093	$ 7,666,694
Investments in associates	363,653	330,963	319,961
	$ 10,752,532	$ 8,769,056	$ 7,986,655

a. Investments in subsidiaries

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted companies			
Advantech Technology Co., Ltd. (ATC)	$ 3,190,050	$ 2,824,168	$ 2,642,683
Advantech Automation Corp. (BVI) (AAC (BVI))	2,892,575	2,410,696	2,310,023
Advantech Fund-A Co., Ltd. (Advantech Fund-A)	1,022,471	918,801	852,798
Advantech Europe Holding B.V. (AEUH)	855,422	796,402	811,353
Advansus Corp.	621,497	550,867	227,129
Advantech-LNC Technology Co., Ltd.	508,396	-	-
ACA Digital Corp. (ACA)	397,837	325,492	189,068
AdvanPOS Technology Co., Ltd.	320,720	-	-
Advantech KR Co., Ltd. (AKR)	216,669	140,239	140,733
Advantech Japan Co., Ltd. (AJP)	142,908	165,014	181,599
Advantech Co. Singapore Pte, Ltd. (ASG)	92,054	110,037	97,553
Advantech Australia Pty Ltd. (AAU)	51,307	71,385	68,347
Advantech Brasil Ltda. (ABR)	40,194	32,996	26,518
Advantech Co. Malaysia Sdn. Bhd. (AMY)	36,779	37,888	38,118
Advantech Intelligent Service (AiST)	-	52,674	80,772
Advantech Industrial Computing India Private Limited (AIN)	(1,053)	1,434	-
	$ 10,387,826	$ 8,438,093	$ 7,666,694

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

	December 31, 2013	December 31, 2012	January 1, 2012
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	-	100.00%	100.00%
ACA	100.00%	99.36%	99.36%
AIN	99.99%	99.99%	-
AdvanPOS Technology Co., Ltd. (Notes 21 and 22)	64.47%	-	-
Advantech-LNC Technology Co., Ltd. (Notes 21 and 22)	100.00%	-	-

Refer to Note 25 of the consolidated financial reports for 2013 for the disclosure of the acquisition of Advansus Corp., AdvanPOS Technology Co., Ltd., and Advantech-LNC Technology Co., Ltd. Refer to Note 29 for information on indirect subsidiaries. Subsidiaries AiST and Broadwin Technology Inc. ("Broadwin," a subsidiary of Advantech Fund-A) had merged as of June 30, 2013. The survivor entity was Broadwin, which changed its name to Advantech Intelligent Service (AiST).

The financial statements used as basis for calculating the investments accounted for using the equity, shares of profit and loss, and shares of other comprehensive income had all been audited, except those of Advantech Industrial Computing India Private Limited (AIN). The management of the Company believes that there would have been no material adjustments had AIN's financial statements been audited by independent CPAs.

Financial statements of the following subsidiaries had been audited, not by the Company's independent auditors, Deloitte, Taiwan, but by other independent CPAs: Axiomtek Co., Ltd.; Advantech Europe Holding B.V. and its subsidiaries (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.; Advantech Brasil Ltda., and Jan Hsiang Electronics Co., Ltd, an investee company of Advantech Fund-A Co., Ltd. In addition, the financial statements of AdvanPOS Technology Co., Ltd. and GPEG International Limited, which had been newly acquired by the Company as of December 31, 2013, had been audited by other CPAs.

The credit balance on the carrying value of the investment in Advantech Industrial Computing India Private Limited at the end of the year was reclassified to the account "Credit balance of investments accounted for using the equity method."

b. Investments in associates

	December 31, 2013	December 31, 2012	January 1, 2012
Listed companies			
Axiomtek Co., Ltd.	$ 363,653	$ 330,963	$ 319,961

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
Axiomtek Co., Ltd.	26.45%	26.55%	26.55%

Fair values of investments in associates for which there are published price quotation are summarized as follows, based on the closing price of those investments at the balance sheet date:

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
Axiomtek Co., Ltd.	$ 1,152,181	$ 554,526	$ 399,464

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 1,843,639	$ 1,619,204	$ 1,488,419
Total liabilities	$ 478,582	$ 389,763	$ 324,682

	For the Year Ended December 31 2013	2012
Revenue	$ 2,003,259	$ 1,705,602
Profit (loss) for the year	$ 268,817	$ 178,442
Other comprehensive income	$ 12,330	$ (20,213)
Company's share of profits and other comprehensive income of associates for the year	$ 68,249	$ 47,121

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

12. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Freehold land	$ 2,596,325	$ 2,596,325	$ 2,613,941
Buildings	926,368	957,716	994,578
Equipment	121,161	139,185	148,548
Office equipment	45,828	45,541	52,313
Other facilities	85,010	99,156	97,604
Property in construction	833,423	129,979	6,684
	$ 4,608,115	$ 3,967,902	$ 3,913,668

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Property in Construction	Total
Cost							
Balance at January 1, 2012	$ 2,613,941	$ 1,216,732	$ 543,819	$ 144,116	$ 281,299	$ 6,684	$ 4,806,591
Additions	-	-	11,255	13,797	38,093	177,730	240,875
Disposals	(17,616)	(6,427)	(8,708)	(4,346)	(4,664)	-	(41,761)
Reclassified as held for sale	-	-	52,236	-	5,943	(54,435)	3,744
Balance at December 31, 2012	$ 2,596,325	$ 1,210,305	$ 598,602	$ 153,567	$ 320,671	$ 129,979	$ 5,009,449
Balance at January 1, 2013	$ 2,596,325	$ 1,210,305	$ 598,602	$ 153,567	$ 320,671	$ 129,979	$ 5,009,449
Additions	-	-	16,111	21,697	20,455	707,119	765,382
Disposals	-	-	(7,313)	(4,578)	(3,104)	-	(14,995)
Reclassified as held for sale	-	-	40,512	-	9,500	(3,675)	46,337
Balance at December 31, 2013	$ 2,596,325	$ 1,210,305	$ 647,912	$ 170,686	$ 347,522	$ 833,423	$ 5,806,173

	Buildings	Equipment	Office Equipment	Other Facilities	Total
Accumulated depreciation and impairment					
Balance at January 1, 2012	$ 222,154	$ 395,271	$ 91,803	$ 183,695	$ 892,923
Disposals	(935)	(8,708)	(4,300)	(4,630)	(18,573)
Depreciation expense	31,370	72,854	20,523	42,450	167,197
Balance at December 31, 2012	$ 252,589	$ 459,417	$ 108,026	$ 221,515	$ 1,041,547
Balance at January 1, 2013	$ 252,589	$ 459,417	$ 108,026	$ 221,515	$ 1,041,547
Disposals	-	(7,306)	(4,267)	(2,758)	(14,331)
Depreciation expense	31,348	74,640	21,099	43,755	170,842
Balance at December 31, 2013	$ 283,937	$ 526,751	$ 124,858	$ 262,512	$ 1,198,058

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

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

13. BONDS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Unamortized domestic convertible (or exchangeable) bonds	$ 18,500	$ 190,200	$ 800,000
Less: 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 New Taiwan dollar-denominated unsecured convertible bonds in Taiwan, with effective interest rate 2.13% and an aggregate principal amount of $800,000 thousand.

Conversion may be at any time between May 27, 2012 and May 16, 2014. Each bond entitles the holder to convert the bonds into ordinary shares of the Company at a contracted price. If the bonds are not converted, they will be redeemed at their face value.

Based on IAS 32 "Financial Instruments: Presentation," the convertible bonds have both liability and equity components and should be recognized separately. The equity component with a value of $44,716 thousand was presented in equity under capital surplus - option while the liability component amounting to $750,943 thousand was classified under convertible bonds payable. As of December 31, 2013, bonds had been converted to 9,903 thousand shares amounting to $781,500 thousand with a conversion price NT$75.55 per share.

14. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Other payables			
Salaries or bonuses payable	$ 1,424,762	$ 978,098	$ 768,579
Payable for royalties	82,618	57,747	57,829
Payable for employee benefits	18,578	16,978	15,402
Others	329,610	262,757	229,441
	$ 1,855,568	$ 1,315,580	$ 1,071,251

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

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Company adopted the defined benefit plan 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 contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Through self-management and a trust, pension fund monitoring committee allocates the pension assets to domestic and foreign equity securities, debt securities, and bank deposit. According to the Implementation Rules of Labor Pension Act, the overall expected rate of return cannot be lower than the interest rate of 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	December 31, 2012	January 1, 2012
Discount rates	1.875%	1.625%	1.750%
Expected return on plan assets	2.000%	1.875%	2.000%
Expected rates of salary increase	3.250%	3.250%	3.250%

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

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 2,716	$ 3,417
Interest cost	4,280	4,913
Expected return on plan assets	(2,281)	(2,449)
	$ 4,715	$ 5,881
An analysis by function		
Operating cost	$ 1,015	$ 1,379
Marketing expenses	647	799
Administration expenses	743	883
Research and development expenses	1,911	2,076
	$ 4,316	$ 5,137

Actuarial losses and gains recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were $9,519 thousand and $10,162 thousand, respectively. The cumulative amounts of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 were $643 thousand and $10,162 thousand, respectively.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ (279,115)	$ (263,402)	$ (280,726)
Fair value of plan assets	124,931	116,527	116,891
Deficit	(154,184)	(146,875)	(163,835)
Net liability arising from defined benefit obligation	$ (154,184)	$ (146,875)	$ (163,835)

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

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 263,402	$ 280,726
Current service cost	2,716	3,417
Interest cost	4,280	4,913
Actuarial losses (gains)	10,677	(13,681)
Benefits paid	(1,960)	(11,973)
Closing defined benefit obligation	$ 279,115	$ 263,402

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

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 116,527	$ 116,891
Expected return on plan assets	2,281	2,449
Actuarial gains (losses)	(791)	(1,438)
Contributions from the employer	8,874	10,598
Benefits paid	(1,960)	(11,973)
Closing fair value of plan assets	$ 124,931	$ 116,527

The major categories and allocation percentage of plan assets at the end of the reporting period for each category were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	22.86%	23.39%	22.76%
Short-term transactions instruments	4.10%	10.45%	8.12%
Government loan	-	0.07%	0.20%
Debt instruments	9.37%	11.00%	11.49%
Fixed-income investments	18.11%	16.06%	16.17%
Equity instruments	44.77%	38.29%	41.26%
Others	0.79%	0.74%	-
	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 30.

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ (279,115)	$ (263,402)	$ (280,726)
Fair value of plan assets	$ 124,931	$ 116,527	$ 116,891
Deficit	$ (154,184)	$ (146,875)	$ (163,835)
Experience adjustments on plan liabilities	$ (20,332)	$ 13,681	$ -
Experience adjustments on plan assets	$ (791)	$ (1,438)	$ -

The Company expects to make a contribution of $7,468 thousand and $10,279 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

16. EQUITY

a. Share capital

Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers 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 a right to dividends.

b. Capital surplus

The premium 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 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, certain amounts shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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 and reverse a special reserve.

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 appropriations of earnings for 2012 and 2011 had been 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 (NT$)**	
	Year Ended December 31		**Year Ended December 31**	
	2012	**2011**	**2012**	**2011**
Legal reserve	\$ 346,239	\$ 355,274	\$ -	\$ -
Special reserve	(545,303)	(76,359)	-	-
Cash dividends	2,763,586	2,764,981	4.9	5

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 2012, respectively, were as follows:

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

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAPP"), 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 and the accrual amounts reflected in the financial statements.

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
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 reclassified to profit or loss on disposal of foreign operations	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 Company's foreign operations from their functional currencies to the Company'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	(228,827)	876,715
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(69,180)	(56,985)
Shares of unrealized gain on revaluation of available-for-sale financial asset of subsidiaries accounted for using equity method	53,529	(2,194)
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.

17. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2013	**2012**
Interest on convertible bonds	$ 2,768	$ 11,854

b. Depreciation and amortization

	For the Year Ended December 31	
	2013	**2012**
An analysis of depreciation by function		
Operating costs	$ 28,047	$ 31,313
Operating expenses	142,795	135,884
	$ 170,842	$ 167,197
An analysis of amortization by function		
Operating costs	$ 85	$ 91
Operating expenses	69,555	68,639
	$ 69,640	$ 68,730

c. Employee benefits expense

	For the Year Ended December 31	
	2013	2012
Post-employment benefits (Note 15)		
Defined contribution plans	$ 86,741	$ 77,549
Defined benefit plans	4,316	5,137
	91,057	82,686
Other employee benefits	2,686,790	2,243,338
Total employee benefits expense	$ 2,777,847	$ 2,326,024
An analysis of employee benefits expense by function		
Operating costs	$ 505,840	$ 462,295
Operating expenses	2,272,007	1,863,729
	$ 2,777,847	$ 2,326,024

18. INCOME TAXES 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	$ 453,294	$ 371,026
In respect of prior periods	121,000	32,584
Income tax expense of unappropriated earnings	89,787	50,884
	664,081	454,494
Deferred tax		
In respect of the current year	52,020	31,622
Income tax expense recognized in profit or loss	$ 716,101	$ 486,116

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

	For the Year Ended December 31	
	2013	2012
Profit before tax from continuing operations	$ 4,822,498	$ 3,957,907
Income tax expense calculated at the statutory rate (17%)	$ 819,825	$ 672,844
Nondeductible expenses in determining taxable income	-	(1,599)
Tax-exempt income	(169,581)	(120,829)
Unrecognized unappropriated earnings of subsidiaries	(61,620)	(59,037)
Additional income tax on unappropriated earnings	89,787	50,884
Offset of investment credits in the current year	(83,310)	(88,731)
Adjustments for prior years' tax	121,000	32,584
Income tax expense recognized in profit or loss	$ 716,101	$ 486,116

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

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 reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2013	**2012**
Deferred tax		
In respect of the current year		
Actuarial gain or loss on defined benefit plan	$ 1,949	$ (2,081)
Translation of foreign operation	(48,007)	21,372
	$ (46,058)	$ 19,291

c. Current tax assets and liabilities

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Current tax liabilities			
Income tax payable	$ 601,952	$ 336,962	$ 331,218

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	26,076	(9,376)	-	16,700
Exchange difference on foreign operations	21,372	-	(21,372)	-
Defined benefit plan	17,195	(707)	-	16,488
Unrealized exchange losses (gain)	(7,168)	7,168	-	-
Unrealized warranty liabilities	5,920	(240)	-	5,680
Actuarial gains (losses) on defined benefit plans	-	-	1,949	1,949
	$ 106,967	$ (4,759)	$ (19,423)	$ 82,785

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 541,520	$ 46,690	$ -	$ 588,210
Exchange difference on foreign operations	-	-	26,635	26,635
Actuarial gains and losses on defined benefit plan	2,081	-	-	2,081
Unrealized exchange gain	-	571	-	571
	$ 543,601	$ 47,261	$ 26,635	$ 617,497

(Concluded)

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	19,904	6,172	-	26,076
Exchange difference on foreign operations	-	-	21,372	21,372
Defined benefit plan	17,465	(270)	-	17,195
Unrealized warranty liabilities	6,446	(526)	-	5,920
Unrealized exchange losses (gain)	5,321	(12,489)	-	(7,168)
	$ 83,164	$ 2,431	$ 21,372	$ 106,967
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 507,467	$ 34,053	$ -	$ 541,520
Actuarial gains and losses on defined benefit plans	-	-	2,081	2,081
	$ 507,467	$ 34,053	$ 2,081	$ 543,601

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

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences			
Cumulative losses of subsidiaries	$ 1,315	$ 710	$ -

f. 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.

g. 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

h. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
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, except 2008, have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2008 tax return and applied for a re-examination. Nevertheless, to be conservative, the Company provided for the income tax assessed by the tax authorities.

19. 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 decides to settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and, if the potential resulting shares have a dilutive effect, these shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

20. 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 was as follows:

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

Information on outstanding options as of December 31, 2013 and 2012 is as follows:

Employee Share Options	For the Year Ended December 31 2013 Range of Exercise Price (NT$)	2013 Weighted-average Remaining Contractual Life (Years)	2012 Range of Exercise Price (NT$)	2012 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 cost recognized were $19,913 thousand and $45,406 thousand for the years ended December 31, 2013 and 2012, respectively.

21. BUSINESS COMBINATIONS

Subsidiaries Acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Advantech - LNC Technology Co., Ltd.	Production and sale of Machine control solution	August 30, 2013	99.97	$ 729,787
AdvanPOS Technology Co., Ltd.	Production and sale of POS system	July 31, 2013	70.19	$ 319,461
Advansus Corp.	Production and sale of industrial automation products	January 2, 2012	50.00	$ 306,000

The Company 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 Company 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 Company acquired 50% 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%.

For more detailed information, please refer to Note 25 of consolidated financial report for 2013.

22. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

In October and December 2013, the Company acquired an additional 0.30% and 0.34% of its interest in ACA Digital Corp., increasing its continuing interest from 99.36% to 100%.
80 % to 95%.

In November 2013, the Company acquired an additional 20% of its interest in Advantech Brasil Ltda. (ABR), increasing its continuing interest from 43.28% to 63.28%.

In November 2013, the Company acquired an additional 0.03% of its interest in Advantech-LNC Technology Co., Ltd, increasing its continuing interest from 99.97% to 100%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For more detailed information regarding those aforementioned subsidiaries, refer to Note 27 of the consolidated financial report of 2013 for the Company.

23. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

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

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 5,135	$ 3,239	$ 4,061

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

	For the Year Ended December 31	
	2013	2012
Minimum lease payment	$ 24,820	$ 30,064

24. CAPITAL MANAGEMENT

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

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

The Company is not subject to any externally imposed capital requirements. The Company's management reviews the capital structure on a quarterly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the management's recommendations, the Company expects to balance its capital structure through the issue of new debt and the payment of dividends.

25. 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 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 unadjusted 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 (i.e., as prices) or indirectly (i.e., derived from prices); 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 unobservable inputs.

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,723	$ -	$ 2,723
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,829,292	$ -	$ -	$ 1,829,292
Mutual funds	1,243,860	-	-	1,243,860
	$ 3,073,152	$ -	$ -	$ 3,073,152
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	$ 2,271,747	$ -	$ -	$ 2,271,747
Mutual funds	620,148	-	-	620,148
	$ 2,891,895	$ -	$ -	$ 2,891,895
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	$ 2,309,762	$ -	$ -	$ 2,309,762
Mutual funds	365,149	-	-	365,149
	$ 2,674,911	$ -	$ -	$ 2,674,911
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 53,516	$ -	$ 53,516

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.

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. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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)			
Held for trading	$ 2,723	$ 16,879	$ 57,204
Loans and receivables (Note 1)	5,254,233	4,823,088	4,087,134
Available-for-sale financial assets	3,073,152	2,891,895	2,674,911
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	23,722	9,620	53,516
Measured at amortized cost (Note 2)	4,527,698	3,428,726	3,820,224

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 financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, accrued convertible bonds and long-term borrowings.

c. Financial risk management objectives and policies

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

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

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

1) Market risk

The Company’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 Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company’s forward exchange contracts are used to minimize risks of market price and fluctuations in cash flows; however, because these contracts which had six-month maturities, did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
USD	$ 1,666,961	$ 2,998,090	$ 2,700,740
EUR	776,614	759,023	819,567
RMB	2,064,167	-	-
Liabilities			
USD	1,314,864	1,883,331	1,910,383
RMB	1,231,256	-	-

The carrying amounts of the Company's derivatives exposed to foreign currency risk at the end of the reporting period were 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 Company was mainly exposed to U.S. dollar, Euro and Chinese Yuan currencies.

The following table details the Company's sensitivity to a 5% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 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	
	2013	2012	2013	2012	2013	2012
Profit or loss	$ 1,940 (Note 1)	$ 96,487 (Note 1)	$ 8,013 (Note 2)	$ 13,434 (Note 2)	$ 41,646 (Note 3)	$ - (Note 3)

Note 1: This was mainly attributable to the exposure on outstanding 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 on outstanding 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 on outstanding Chinese Yuan denominated cash, trade receivables and trade payables.

b) Interest rate risk

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

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial assets	$ 546,678	$ 579,110	$ -
Cash flow interest rate risk			
Financial assets	595,116	601,551	749,973

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for nonderivative 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 Company's pretax profit for the years ended December 31, 2013 and 2012 would have increased by $2,976 thousand and $3,008 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Company'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 Company was exposed to equity price risk through its investments in listed equity securities and open-end mutual funds. The Company manages this exposure by maintaining a portfolio of investments with different risks. The Company's price risks are primarily concentrated on equity instruments and open-end fund issued by Taiwan exchange commercial entities.

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 income for the years ended December 31, 2013 and 2012 would have increased by $30,732 thousand and $28,919 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 Company. As at the end of the reporting period, the Company'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 Company 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 Company 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 management believes the Company's credit risk as significantly reduced.

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

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company had available unutilized overdraft and short-term bank loan facilities of approximately $2,993,750 thousand, $2,837,600 thousand and $2,274,000 thousand, respectively.

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

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

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	-	$ 1,949,464	$ 1,865,957	$ 712,277	$ -

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	-	$ 1,319,181	$ 1,163,796	$ 761,089	$ 184,660

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	-	$ 1,339,751	$ 1,264,504	$ 455,638	$ 760,331

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.

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

December 31, 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				
Foreign exchange forward 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				
Foreign exchange forward 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

26. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its related parties are disclosed below.

a. Sales of goods

Related Party	For the Year Ended December 31 2013	2012
Subsidiaries	$ 16,196,176	$ 13,843,451
Associates	68,057	36,784
	$ 16,264,233	$ 13,880,235

b. Purchases of goods

Related Party	For the Year Ended December 31 2013	2012
Subsidiaries	$ 11,141,828	$ 10,068,649
Associates	19,141	20,814
	$ 11,160,969	$ 10,089,463

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

Related Party	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 3,098,482	$ 2,720,688	$ 2,390,936
Associates	6,579	3,377	3,464
	$ 3,105,061	$ 2,724,065	$ 2,394,400

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
Subsidiaries	$ 2,075,602	$ 1,425,985	$ 1,412,058
Associates	1,784	1,286	1,284
	$ 2,077,386	$ 1,427,271	$ 1,413,342

The outstanding trade payables from related parties are unsecured.

e. Other receivables from related parties (excluding loans from related parties)

Related Party	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 12,101	$ 16,106	$ 31,330

f. Property, plant and equipment acquired

Related Party	For the Year Ended December 31	
	2013	2012
Subsidiaries	$ 214	$ 10,839

g. Property, plant and equipment disposed

Related Party	For the Year Ended December 31			
	2013		2012	
	Price	Gain (Loss) on Disposal	Price	Gain (Loss) on Disposal
Subsidiaries	$ 108	$ -	$ 24	$ -

h. Loans to related parties

Related Party	December 31, 2013	December 31, 2012	January 1, 2012
Other receivable from related party			
Subsidiaries	$ 138,987	$ -	$ -

Related Party	For the Year Ended December 31 2013	2012
Interest income		
Subsidiaries	$ 454	$ -

The Company provided loans to AEU, a subsidiary, at rates comparable to market interests.

i. Other transactions with related parties

	Operating Expenses For the Year Ended December 31 2013	2012
Administration expenses		
Subsidiaries	$ 14,023	$ 11,639
Rent expenses		
Subsidiaries	$ 85	$ -
Other related parties	8,851	8,851
	$ 8,936	$ 8,851

	Other Income For the Year Ended December 31 2013	2012
Royalties		
Subsidiaries	$ 377,646	$ 364,848
Rent income		
Subsidiaries	$ 96	$ 156
Others		
Subsidiaries	$ 73,535	$ 111,793
Other related parties	2,000	2,000
Associates	-	1,322
	$ 75,535	$ 115,115

Contracts on lease arrangements, technical services, and royalty between the Company and its subsidiaries were based on market rental prices and stipulated normal payment terms. There were no significant differences between the selling prices and payment terms for related parties and those for unrelated parties.

j. Compensation of key management personnel

	For the Year Ended December 31	
	2013	2012
Short-term employee 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 having regard to the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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.

28. EXCHANGE RATE OF 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			
RMB	$ 420,916	4.904 (RMB:NTD)	$ 2,064,167
USD	55,929	29.805 (USD:NTD)	1,666,961
EUR	18,900	41.09 (EUR:NTD)	776,614
			$ 4,507,742
Financial liabilities			
Monetary items			
USD	44,116	29.805 (USD:NTD)	$ 1,314,864
RMB	251,072	4.904 (RMB:NTD)	1,231,256
			$ 2,546,120

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 103,240	29.04 (USD:NTD)	$ 2,998,090
EUR	19,720	38.49 (EUR:NTD)	759,023
			$ 3,757,113
Financial liabilities			
Monetary items			
USD	64,853	29.04 (USD:NTD)	$ 1,883,331

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 89,207	30.275 (USD:NTD)	$ 2,700,740
EUR	20,918	39.18 (EUR:NTD)	819,567
			$ 3,520,307
Financial liabilities			
Monetary items			
USD	63,101	30.275 (USD:NTD)	$ 1,910,383

29. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held. (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 or more. (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) Transactions of financial instruments. (Notes 7 and 25)

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

c. Information on investments in Mainland China

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

2) Refer to Note 26, Table 1, Table 5 and Table 6 for the 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.

30. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Company's financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Company 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 IFRSs, the impact on the Company's balance sheets and statements of comprehensive income is stated as follows:

1) Reconciliation of the 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	$ 752,205	$ -	$	$ 752,205	Cash and cash equivalents	
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	365,149	-	-	365,149	Available-for-sale financial assets - current	
Notes receivable	90,955	-	-	90,955	Notes receivable	
Accounts receivables, net	771,892	-	-	771,892	Trade receivables	
Accounts receivable from related parties, net	2,394,400	-	-	2,394,400	Trade receivable from related parties	
Other receivable	46,352	-	-	46,352	Other receivable	
Other receivable from related parties	31,330	-		31,330	Other receivable from related parties	
Inventories, net	1,608,079	-	-	1,608,079	Inventories	
Deferred income tax assets - current	31,671	-	(31,671)	-	-	a)
Prepaid expenses and other current assets	11,573	-	4,749	16,322	Other current assets	f)
Total current assets	6,160,810	-	(26,922)	6,133,888	Total current assets	
Long-term investments						
Investments accounted for using the equity method	8,268,164	(16,953)	(264,556)	7,986,655	Investments accounted for using the equity method	h), i) and j)
Available-for-sale financial assets (noncurrent)	2,309,762	-	-	2,309,762	Available-for-sale financial assets	
Total long-term investments	10,577,926	(16,953)	(264,556)	10,296,417		
Property, plant and equipment					Property, plant and equipment	
Cost	4,799,907	-	-	4,799,907	Cost	
Minus: Accumulated depreciation	(892,923)	-	-	(892,923)	Accumulated depreciation	
Construction in progress and prepayments for equipment	23,118	-	(16,434)	6,684	Construction in progress	g)
Properties, net	3,930,102	-	(16,434)	3,913,668	Property, plant and equipment	
Total intangible assets	-	-	64,740	64,740	Other intangible assets	f)

(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 assets						
Refundable deposits	$ 5,787	$ -	$ -	$ 5,787	Refundable deposits	
Deferred expenses	74,297	-	(74,297)	-	-	f)
Prepayments for equipment	-	-	21,242	21,242	Prepayments for equipment	f) and g)
Deferred income tax assets - noncurrent	-	-	83,164	83,164	Deferred income tax assets - noncurrent	a) and b)
Total other assets	80,084	-	30,109	110,193		
Total assets	$ 20,748,922	$ (16,953)	$ (213,063)	$ 20,518,906	Total assets	
Current liabilities						
Financial liabilities at fair value through profit or loss	$ 53,516	$ -	$ -	$ 53,516	Financial liabilities at fair value through profit or loss	
Accounts payable	575,300	-	-	575,300	Trade payables	
Accounts payable to related parties	1,413,342	-	-	1,413,342	Trade payables to related parties	
Income tax payable	331,218	-	-	331,218	Current tax liabilities	
Accrued expenses	1,055,849	15,402	-	1,071,251	Other payable	c)
Short-term warranty provision	37,919	-	-	37,919	Short-term warranty provision	
Advance receipts and other current liabilities	103,620	-	-	103,620	Other current liabilities	
Total current liabilities	3,570,764	15,402	-	3,586,166	Total current liabilities	
Noncurrent liabilities						
Accrued convertible bonds	760,331	-	-	760,331	Bonds payable	
Total long-term liabilities	760,331	-	-	760,331	Total long-term liabilities	
Other liabilities						
Accrued pension cost	102,678	61,157	-	163,835	Accrued pension liabilities	d)
Deferred credits	264,556	-	(264,556)	-	-	h)
Deferred income tax liabilities - noncurrent	455,974	-	51,493	507,467	Deferred tax liabilities - noncurrent	b)
Other liabilities	159	-	-	159	Credit balance of investments accounted for using equity method	
Total other liabilities	823,367	61,157	(213,063)	671,461	Total other liabilities	
Total liabilities	5,154,462	76,559	(213,063)	5,017,958	Total liabilities	
Share capital						
Capital stock	5,517,971	-	-	5,517,971	Ordinary shares	
Advance receipts for share capital	11,990	-	-	11,990	Advance receipts for share capital	
Total share capital	5,529,961	-	-	5,529,961	Total share capital	
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)	-	-	Changes in equity of associates and joint venture accounted for using equity method	e)
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), i) and j)
Other						
Cumulative translation adjustments	105,408	-	-	105,408	Foreign currency translation reserve	
Unrealized loss on financial instruments	(648,592)	-	-	(648,592)	Unrealized loss from available-for-sale financial assets	
Net loss not recognized as pension cost	(2,121)	2,121	-	-	-	i)
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	
Total liabilities and shareholders' equity	$ 20,748,922	$ (16,953)	$ (213,063)	$ 20,518,906	Total liabilities and equity	

(Concluded)

2) Reconciliation of 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	$ 1,087,928	$ -	$	$ 1,087,928	Cash and cash equivalents	
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	620,148	-	-	620,148	Available-for-sale financial assets - current	
Notes receivable	86,185	-	-	86,185	Notes receivable	
Accounts receivables, net	853,078	-	-	853,078	Trade receivables	
Accounts receivables from related parties, net	2,724,065	-	-	2,724,065	Trade receivables from related party, net	
Other receivable	55,726	-	-	55,726	Other receivable	
Other receivable from related party	16,106	-		16,106	Other receivable from related party	
Inventories, net	1,411,444	-	-	1,411,444	Inventories	
Deferred income tax assets - current	24,828	-	(24,828)	-	-	a)
Prepaid expenses and other current assets	125,055	-	2,219	127,274	Other current assets	f)
Total current assets	7,021,442	-	(22,609)	6,998,833	Total current assets	
Long-term investments						
Investments accounted for using the equity method	9,107,558	(17,807)	(320,695)	8,769,056	Investments accounted for using the equity method	h), i) and j)
Available-for-sale financial assets	2,271,747	-	-	2,271,747	Available-for-sale financial assets	
Total long-term investments	11,379,305	(17,807)	(320,695)	11,040,803		
Property, plant and equipment						
Cost	4,879,470	-	-	4,879,470	Cost	
Minus: Accumulated depreciation	(1,041,547)	-	-	(1,041,547)	Accumulated depreciation	
Construction in progress and prepayments for equipment	139,738	-	(9,759)	129,979	Construction in progress	g)
Properties, net	3,977,661	-	(9,759)	3,967,902	Property, plant and equipment	
Total intangible assets	-	-	83,028	83,028	Other intangible assets	f)
Other assets						
Refundable deposits	7,794	-	-	7,794	Refundable deposits	
Deferred expenses	87,836	-	(87,836)	-	-	f)
Prepayments for equipment	-	-	12,348	12,348	Prepayments for equipment	f) and g)
Deferred income tax assets - noncurrent	-	-	106,967	106,967	Deferred income tax assets - noncurrent	a) and b)
Total other assets	95,630	-	31,479	127,109		
Total assets	$ 22,474,038	$ (17,807)	$ (238,556)	$ 22,217,675	Total assets	
Current liabilities						
Financial liabilities at fair value through profit or loss	$ 9,620	$ -	$ -	$ 9,620	Financial liabilities at fair value through profit or loss	
Accounts payable	501,215	-	-	501,215	Trade payables	
Accounts payable to related party	1,427,271	-	-	1,427,271	Trade payables to related party	
Income tax payable	336,962	-	-	336,962	Current tax liabilities	
Short-term warranty provision	34,824	-	-	34,824	Short-term warranty provision	
Accrued expenses	1,298,602	16,978		1,315,580	Other payables	c)
Advance receipts and other current liabilities	97,689	-	-	97,689	Other current liabilities	
Total current liabilities	3,706,183	16,978	-	3,723,161	Total current liabilities	
Noncurrent liabilities						
Accrued convertible bonds	184,660	-	-	184,660	Bonds payable	
Total long-term liabilities	184,660	-	-	184,660	Total long-term liabilities	
Other liabilities						
Accrued pension cost	101,144	45,731	-	146,875	Accrued pension liabilities	d)
Deferred credits	320,695	-	(320,695)	-	-	h)
Deferred income tax liabilities - noncurrent	459,381	2,081	82,139	543,601	Deferred tax liabilities - noncurrent	b) and d)
Total other liabilities	881,220	47,812	(238,556)	690,476	Total non-current liabilities	
Total liabilities	4,772,063	64,790	(238,556)	4,598,297	Total liabilities	
Share capital						
Capital stock	5,639,971			5,639,971	Ordinary shares	
Total capital stock	5,639,971	-	-	5,639,971	Total capital stock	
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)	-	-	Changes in equity of associates and joint ventures accounted for using the equity method	e)
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), i) and j)
Other						
Cumulative translation adjustments	(104,345)	-	-	(104,345)	Foreign currency translation reserve	
Unrealized loss on financial instruments	168,944	-	-	168,944	Unrealized gain and loss from available-for-sale financial assets	
Net loss not recognized as pension cost	(1,697)	1,697	-	-	-	i)
Total other equity items	62,902	1,697	-	64,599	Total other equity interest	
Total shareholders' equity of the Company	17,701,975	(82,597)	-	17,619,378	Total equity	
Total liabilities and shareholders' equity	$ 22,474,038	$ (17,807)	$ (238,556)	$ 22,217,675	Total liabilities and equity	

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

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating revenue	$ 19,583,862	$ -	$ -	$ 19,583,862	Operating revenue, net	
Operating cost	14,575,185	(337)	34,823	14,609,671	Operating costs	c), d) and k)
Operating profits	5,008,677	337	(34,823)	4,974,191	Operating profit	
Operating expenses						
Marketing	417,837	(209)	(34,823)	382,805	Selling and marketing expenses	c), d) and k)
Administrative	580,035	(177)		579,858	General and administrative expenses	c) and d)
Research and development	1,771,846	(884)	-	1,770.962	Research and development expenses	c) and d)
Total	2,769,718	(1,270)	(34,823)	2,733,625		
Operating income	2,238,959	1,607	-	2,240,566	Operating income	
Nonoperating income and gains						
Dividend revenue	95,813	-	-	95,813	Dividend revenue	
Investment income recognized under the equity method, net	988,049	7,797	-	995,846	Share of profit of associates and joint ventures	i)
Gain on disposal of properties, net	34,541	-	-	34,541	Gain on disposal of property, plant and equipment	
Interest income	4,203	-	-	4,203	Interest income	
Gain on disposal of investments, net	56,985	-	-	56,985	Gain on disposal of investments, net	
Rental income	12,156	-	-	12,156	Rental income	
Valuation gain on financial instruments, net	112,256	-	-	112,256	Valuation gain on financial instruments, measured at fair value	
Royalty income	364,848	-	-	364,848	Royalty income	
Other income	148,502	-	-	148,502	Other income	
Total operating expenses	1,817,353	7,797	-	1,825,150		
Nonoperating expenses and losses						
Interest expense	11,854	-	-	11,854	Finance costs	
Valuation loss on financial instrument	45,597	-	-	45,597	Valuation loss on financial instruments, measured at fair value	
Foreign exchange loss, net	50,191	-	-	50,191	Foreign exchange loss, net	
Loss of disposals of property, plant and equipment	57	-	-	57	Loss of disposals of property, plant and equipment	
Other losses	110	-	-	110	Other losses	
Total nonoperating expenses	107,809	-	-	107,809		
Income before income tax	3,948,503	9,404	-	3,957,907	Profit before income tax	
Income tax expense	486,116	-	-	486,116	Income tax expense	
Net income	$ 3,462,387	$ 9,404	$ -	3,471,791	Net profit for the year	
				(228,934)	Exchange differences on translating foreign operations	
				819,730	Unrealized gain or loss on available-for-sale financial assets	
				12,243	Actuarial gain or loss on defined benefit plan	d)
				(4,385)	Share of other comprehensive income of subsidiaries associates and joint ventures	
				19,291	Income tax relating to components of other comprehensive income	d)
				617,945	Other comprehensive income for the year, net of income tax	
				$ 4,089,736	Total comprehensive income for the period	

4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Company's first financial statements prepared in accordance with IFRSs. According to IFRS 1, the Company 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 Company adopted are summarized as follows:

Business combinations

The Company 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.

Share-based payment transactions

The Company 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 property, plant and equipment, the Company elected to use the ROC GAAP revalued amount at the date of transition to IFRSs as their deemed cost under IFRSs.

Employee benefits

The Company elected to recognize all unrecognized cumulative actuarial gains and losses in retained earnings as of the date of transition. In addition, the Company 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.

The influences of adopting exemptions above are stipulated in the next section.

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 January 1, 2012 and December 31, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were $31,671 thousand and $24,828 thousand, respectively.

b) Offsetting deferred tax assets and liabilities

Under ROC GAAP, the Company’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 January 1, 2012 and December 31, 2012, deferred tax assets and deferred tax liabilities were adjusted for increases of $51,493 thousand and $82,139 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 January 1, 2012 and December 31, 2012, the Company's reclassification adjustment of short-term cumulative compensated absences resulted in increases of accrued expenses of $15,402 thousand and $16,978 thousand, respectively. Also, retained earnings, as of January 1, 2012 and December 31, 2012, were adjusted for decreases of $15,402 thousand and $16,978 thousand, respectively. Salary expense was adjusted for an increase of $1,576 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 January 1, 2012 and December 31, 2012, the Company 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 increases of $61,157 thousand and $45,731 thousand, respectively, and retained earnings for decreases of $61,157 thousand and $45,731 thousand, respectively.

In addition, for the year ended December 31, 2012, accrued pension cost and actuarial gain or loss on defined benefit plan were adjusted for a decrease of $3,183 thousand and an increase of $12,243 thousand, respectively. Considering income tax effect, income tax relating to components of other comprehensive income was adjusted for a decrease of $2,081 thousand. Deferred tax liabilities were adjusted for an increase of $2,081 thousand.

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

Changes in equity of associates accounted for using the equity method adjusted for a decrease of $2,214 thousand for the year ended December 31, 2012.

f) Classification of deferred expenses

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

As of January 1, 2012, the Group reclassified deferred expense of $64,740 thousand, $4,749 thousand and $4,808 thousand to intangible assets, prepaid expenses, and prepayment for equipment, respectively.

As of December 31, 2012, the Group reclassified deferred expense of $83,028 thousand, $2,219 thousand and $2,589 thousand to intangible assets, prepaid expenses, and prepayment for equipment, respectively.

g) 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 January 1, 2012 and December 31, 2012, based on the nature of the prepayments for equipment, the Company reclassified prepayments of $16,434 thousand and $9,759 thousand, respectively, for equipment (under fixed assets) to prepayments for equipment (under noncurrent assets).

h) 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 unrealized gross profit and deferred credits. Under IFRSs, unrealized profits from downstream transactions are recorded under investments in associates.

As of January 1, 2012 and December 31, 2012, the Company reclassified deferred credits of $264,556 thousand and $320,695 thousand, respectively, to investments accounted for by the equity method.

i) Investments in associates - adjustments

The Company'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, minimum pension liability, and capitalization of land-use right.

As of January 1, 2012, the adjustment of the Company's investments in associates accounted for using the equity method resulted in a decrease of $12,237 thousand in retained earnings; a decrease of $10,116 thousand in investments accounted for using equity method; and an increase of $2,121 thousand in net loss of unrecognized pension costs.

As of December 31, 2012, the adjustment of the Company's investments in associates accounted for using the equity method resulted in a decrease of $11,277 thousand in retained earnings; a decrease of $9,580 thousand in investments accounted for using equity method; and an increase of $1,697 thousand in net loss of unrecognized pension costs.

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 $7,797 thousand for the year ended December 31, 2012.

j) 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 January 1, 2012 and December 31, 2012, adjustments for changes in equity in subsidiaries were decreases of $6,837 thousand and $8,227 thousand, in retained earnings - difference between the consideration and carrying amount of subsidiaries acquired, respectively; and decreases of $6,837 thousand and $8,227 thousand, respectively, in investments accounted for using the equity method.

k) Explanation of adjustments to the consolidated statement of comprehensive income

For the year ended December 31, 2012, the Company reclassified warranty expenses $34,823 to cost of goods sold according to the nature of transaction.

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

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 Company of $3,806 thousand and $320,563 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 were no other significant differences between ROC GAAP and IFRSs in the consolidated statement of cash flows.

ADVANTECH CO., LTD. AND INVESTEES

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 INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE 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)	-	-	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 INVESTEES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED 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	5,239,461	$ 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 Shares	Carrying Amount	Percentage of Ownership	Fair Value	Note
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)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE 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.	Equity-method Investment	-	-	-	-	12,778,455	319,461 (Note A)	-	-	-	-	12,778,455	319,461
	Advantech-LNC Technology Co., Ltd.	Equity-method Investment	-	-	-	-	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 INVESTEES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		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 1)		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	

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

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

Company Name	Related Party	Relationship	Ending Balance	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	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE 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 diary
	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 A)	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.

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
FOR THE 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	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013 (Note E)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
					Outflow	Inflow					
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) (Note G)	$ -	$ -	$ 1,111,727 (US$ 37,300 thousand) (Note G)	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) (Note G)	-	-	158,920 (US$ 5,332 thousand) (Note G)	100	99,284	753,227	334,859 (US$ 11,235 thousand) (Note G)
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) (Note G)	-	-	238,440 (US$ 8,000 thousand) (Note G)	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 29 of the financial statements and Tables 1, 6 and 7.

(Continued)

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

Note D: Remittance by ACN.

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

Note F: For 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”.

(Concluded)