Advantech Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2014 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 "Consolidated and Separate Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ADVANTECH CO., LTD.

By

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K. C. Liu
Chairman

March 31, 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

However, as stated in Note 4 to the consolidated financial statements, we did not audit the consolidated financial statements as of and for the years ended December 31, 2014 and 2013 of some subsidiaries. The consolidated financial statements of these subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the subsidiaries' amounts included herein, is based solely on the reports of other auditors. Total assets of these subsidiaries were 4.77% (NT$1,505,128 thousand) and 8.07% (NT$2,221,698 thousand) of the consolidated assets as of December 31, 2014 and 2013, respectively. Operating revenues of these subsidiaries were 8.67% (NT$3,099,173 thousand) and 9.13% (NT$2,799,185 thousand) of the consolidated operating revenues for 2014 and 2013, respectively. Also, as stated in Note 12 to the consolidated financial statements, we did not audit the financial statements as of and for the years ended December 31, 2014 and 2013 of some companies in which the Company had investments accounted for using the equity method. The consolidated financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the investees' amounts included herein, is based solely on the reports of the other auditors. Investments accounted for using the equity method were 1.42% (NT$447,663 thousand) and 1.46% (NT$402,433 thousand) of the consolidated assets as of and for the years ended December 31, 2014 and 2013. Also, the equity in the investees' net gains was 1.66% (NT$100,264 thousand) and 1.43% (NT$73,680 thousand) of the consolidated pretax profits in 2014 and 2013, respectively.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and the results of its financial performance and its consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China.

We have also audited the financial statements of the parent company, Advantech Co., Ltd., as of and for the years ended December 31, 2014 and 2013 and have expressed a modified unqualified opinion on those financial statements.

March 31, 2015

<u>Notice to Readers</u>

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,122,007	10	$ 2,832,358	10
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	165,402	-	2,723	-
Available-for-sale financial assets - current (Notes 4, 8 and 30)	3,431,359	11	2,112,427	8
Debt investments with no active market - current (Notes 4 and 9)	5,487	-	568,803	2
Notes receivable (Notes 4, 10 and 31)	949,861	3	749,529	3
Trade receivables (Notes 4 and 10)	4,960,373	16	4,602,480	17
Trade receivables from related parties (Notes 4 and 31)	5,400	-	6,579	-
Other receivables	36,550	-	24,736	-
Inventories (Notes 4 and 11)	4,781,550	15	4,030,657	15
Other current financial assets (Note 32)	18,650	-	109,310	-
Other current assets (Note 15)	513,393	2	372,028	1
Total current assets	17,990,032	57	15,411,630	56
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 30)	2,428,569	8	1,864,424	7
Investments accounted for using the equity method (Notes 4 and 12)	447,663	1	402,433	1
Property, plant and equipment (Notes 4, 13 and 32)	8,876,606	28	7,941,679	29
Goodwill (Notes 4 and 14)	1,168,727	4	1,265,658	5
Other intangible assets	286,312	1	326,617	1
Deferred tax assets (Notes 4 and 22)	161,268	1	144,047	1
Prepayments for business facilities	45,511	-	25,299	-
Long-term prepayments for lease (Notes 4 and 15)	96,516	-	94,416	-
Other noncurrent assets (Note 28)	42,616	-	59,881	-
Total noncurrent assets	13,553,788	43	12,124,454	44
TOTAL	$ 31,543,820	100	$ 27,536,084	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 30)	$ 3,080	-	$ 123,144	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	8,698	-	23,722	-
Trade payables (Note 31)	3,396,887	11	3,003,543	11
Other payables (Note 18)	3,248,268	10	2,909,390	11
Current tax liabilities (Notes 4 and 22)	787,404	3	695,945	3
Short-term warranty provision (Note 4)	141,354	-	122,437	-
Current portion of long-term borrowings and bonds payable (Notes 4, 17 and 30)	-	-	18,348	-
Other current liabilities	268,208	1	308,795	1
Total current liabilities	7,853,899	25	7,205,324	26
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	897,940	3	623,598	2
Long-term accounts payable	43,028	-	102,519	-
Accrued pension liabilities (Notes 4 and 19)	160,383	1	156,864	1
Other noncurrent liabilities	50,506	-	27,589	-
Total noncurrent liabilities	1,151,857	4	910,570	3
Total liabilities	9,005,756	29	8,115,894	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	6,301,031	20	5,669,249	21
Advance receipts for share capital	11,060	-	24,751	-
Total share capital	6,312,091	20	5,694,000	21
Capital surplus	5,306,958	17	4,995,635	18
Retained earnings				
Legal reserve	3,472,064	11	3,061,424	11
Unappropriated earnings	6,358,318	20	5,452,733	20
Total retained earnings	9,830,382	31	8,514,157	31
Other equity				
Exchange differences on translation of foreign financial statements	338,356	1	130,041	-
Unrealized gains (losses) on available-for-sale financial assets	563,277	2	(75,534)	-
Total other equity	901,633	3	54,507	-
Total equity attributable to owners of the Company	22,351,064	71	19,258,299	70
NONCONTROLLING INTERESTS	187,000	-	161,891	1
Total equity	22,538,064	71	19,420,190	71
TOTAL	$ 31,543,820	100	$ 27,536,084	100

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

(With Deloitte & Touche audit report dated March 31, 2015)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 31)				
Sales	$ 34,662,269	97	$ 29,828,793	97
Other operating revenue	1,069,430	3	831,241	3
Total operating revenue	35,731,699	100	30,660,034	100
OPERATING COSTS (Notes 11, 21, and 31)	21,339,035	60	18,074,403	59
GROSS PROFIT	14,392,664	40	12,585,631	41
OPERATING EXPENSES (Notes 21 and 31)				
Selling and marketing expenses	3,533,354	10	3,084,308	10
General and administrative expenses	2,115,599	6	2,072,236	7
Research and development expenses	3,235,226	9	2,760,937	9
Total operating expenses	8,884,179	25	7,917,481	26
OPERATING PROFIT	5,508,485	15	4,668,150	15
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Notes 4 and 12)	100,264	1	73,680	-
Interest income	54,355	-	30,422	-
Gains on disposal of property, plant and equipment (Note 4)	56,473	-	41,816	-
Gains on disposal of investments (Note 4)	27,143	-	56,542	-
Foreign exchange gains, net (Notes 4 and 21)	78,206	-	144,682	1
Gains on financial instruments at fair value through profit or loss (Note 4)	85,664	-	34,883	-
Dividend income	130,737	1	120,141	1
Other income (Notes 8 and 31)	91,185	-	101,690	-
Finance costs (Note 21)	(14,420)	-	(11,402)	-
Losses on financial instruments at fair value through profit or loss (Note 4)	(49,171)	-	(76,812)	-
Other losses	(13,815)	-	(15,246)	-
Total nonoperating income	546,621	2	500,396	2
PROFIT BEFORE INCOME TAX	6,055,106	17	5,168,546	17
INCOME TAX EXPENSE (Notes 4 and 22)	1,123,096	3	1,041,337	4
NET PROFIT FOR THE YEAR	4,932,010	14	4,127,209	13

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations (Notes 4 and 20)	$ 243,904	-	$ 282,941	1
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 20)	638,811	2	(244,478)	(1)
Actuarial losses on defined benefit plans	(5,723)	-	(10,829)	-
Share of the other comprehensive income of associates accounted for using the equity method (Notes 4 and 20)	4,711	-	3,883	-
Income tax relating to the components of other comprehensive income (Notes 4, 20 and 22)	(41,695)	-	(46,247)	-
Other comprehensive income (loss) for the year, net of income tax	840,008	2	(14,730)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,772,018	16	$ 4,112,479	13
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 4,907,782	14	$ 4,106,397	13
Noncontrolling interests	24,228	-	20,812	-
	$ 4,932,010	14	$ 4,127,209	13
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 5,750,571	16	$ 4,087,236	13
Noncontrolling interests	21,447	-	25,243	-
	$ 5,772,018	16	$ 4,112,479	13
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	$7.80		$6.59	
Diluted	$7.77		$6.55	

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

(With Deloitte & Touche audit report dated March 31, 2015) (Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Issued Capital (Notes 20 and 24)				Retained Earnings (Notes 4, 20 and 27)				Other Equity (Notes 4 and 20)				
	Share Capital	Advance Receipt for Ordinary Share Capital'	Total	Capital Surplus (Notes 4 and 20)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Noncontrolling Interests (Notes 4, 20 and 27)	Total Equity
BALANCE AT JANUARY 1, 2013	$ 5,639,971	$ -	$ 5,639,971	$ 4,701,785	$ 2,715,185	$ 545,303	$ 3,952,535	$ 7,213,023	$ (104,345)	$ 168,944	$ 17,619,378	$ 107,891	$ 17,727,269
Appropriation of the 2012 earrings													
Legal reserve	-	-	-	-	346,239	-	(346,239)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(545,303)	545,303	-	-	-	-	-	-
Cash dividends on distributed by the Company	-	-	-	-	-	-	(2,763,586)	(2,763,586)	-	-	(2,763,586)	-	(2,763,586)
Issue of ordinary shares for employee share options	15,590	15,910	31,500	123,274	-	-	-	-	-	-	154,774	-	154,774
Compensation cost recognized for employee share options	-	-	-	19,913	-	-	-	-	-	-	19,913	-	19,913
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	1,560	-	-	-	-	-	-	1,560	-	1,560
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	-	-	-	(32,608)	(32,608)	-	-	(32,608)	(15,730)	(48,338)
Changes in percentage of ownership interest in subsidiaries	-	-	-	2,552	-	-	-	-	-	-	2,552	-	2,552
Increase in noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	44,487	44,487
Conversion of convertible bonds	13,688	8,841	22,529	146,551	-	-	-	-	-	-	169,080	-	169,080
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	4,106,397	4,106,397	-	-	4,106,397	20,812	4,127,209
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(9,069)	(9,069)	234,386	(244,478)	(19,161)	4,431	(14,730)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	4,097,328	4,097,328	234,386	(244,478)	4,087,236	25,243	4,112,479
BALANCE AT DECEMBER 31, 2013	5,669,249	24,751	5,694,000	4,995,635	3,061,424	-	5,452,733	8,514,157	130,041	(75,534)	19,258,299	161,891	19,420,190
Appropriation of the 2013 earrings													
Legal reserve	-	-	-	-	410,640	-	(410,640)	-	-	-	-	-	-
Cash dividends on distributed by the Company	-	-	-	-	-	-	(3,017,820)	(3,017,820)	-	-	(3,017,820)	-	(3,017,820)
Stock dividends on distributed by the Company	569,400	-	569,400	-	-	-	(569,400)	(569,400)	-	-	-	-	-
Issue of ordinary shares for employee share options	51,410	(4,850)	46,560	167,525	-	-	-	-	-	-	214,085	-	214,085
Compensation cost recognized for employee share options	-	-	-	111,393	-	-	-	-	-	-	111,393	-	111,393
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	8,966	-	-	-	-	-	-	8,966	-	8,966
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	11,457	-	-	-	-	-	-	11,457	3,662	15,119
Changes in percentage of ownership interest in subsidiaries	-	-	-	(1,873)	-	-	-	-	-	-	(1,873)	-	(1,873)
Conversion of convertible bonds	10,972	(8,841)	2,131	13,855	-	-	-	-	-	-	15,986	-	15,986
Net profit for the year ended December 31, 2014	-	-	-	-	-	-	4,907,782	4,907,782	-	-	4,907,782	24,228	4,932,010
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	(4,337)	(4,337)	208,315	638,811	842,789	(2,781)	840,008
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	4,903,445	4,903,445	208,315	638,811	5,750,571	21,447	5,772,018
BALANCE AT DECEMBER 31, 2014	$ 6,301,031	$ 11,060	$ 6,312,091	$ 5,306,958	$ 3,472,064	$ -	$ 6,358,318	$ 9,830,382	$ 338,356	$ 563,277	$ 22,351,064	$ 187,000	$ 22,538,064

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

(With Deloitte & Touche audit report dated March 31, 2015)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,055,106	$ 5,168,546
Adjustments for:		
Depreciation expenses	504,211	372,641
Amortization expenses	90,709	108,780
Amortization expenses of prepayments of lease obligation	2,519	2,467
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(36,493)	41,929
Recognition of trade receivable provisions	9,991	36,125
Compensation cost of employee share options	111,393	19,913
Finance costs	14,420	11,402
Interest income	(54,355)	(30,422)
Dividend income	(130,737)	(120,141)
Share of profit of associates accounted for using the equity method	(100,264)	(73,680)
Gain on disposal of property, plant and equipment	(56,473)	(41,816)
Gain on disposal of investments	(27,143)	(60,914)
Loss on disposal of subsidiaries	-	4,372
Loss on bond redemption	17	-
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(141,210)	(13,671)
Increase in notes receivable	(200,332)	(132,104)
Increase in trade receivables	(366,727)	(742,707)
(Increase) decrease in trade receivables due from related parties	1,179	(3,202)
(Increase) decrease in other receivables	(383)	71,142
(Increase) decrease in inventories	(750,893)	83,196
Increase in other current assets	(50,705)	(144,231)
Increase in trade payables	393,344	467,719
Decrease in accrued pension liabilities	(1,946)	(4,612)
Increase in other payables	317,124	665,863
Decrease in other current liabilities	(40,587)	(167,849)
Increase in other noncurrent liabilities	21,402	-
Cash generated from operations	5,563,167	5,518,746
Interest received	31,578	24,233
Dividends received	130,737	120,141
Interest paid	(5,233)	(11,101)
Income tax paid	(809,008)	(694,857)
Net cash generated from operating activities	4,911,241	4,957,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for business facilities	(20,212)	(53,161)
Acquisition of available-for-sale financial assets	(5,847,515)	(4,998,636)
Proceeds from disposal of available-for-sale financial assets	5,213,858	4,633,818
Acquisition of investments with no active market	(643)	(145,375)

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	2013
Acquisition of investments accounted for using the equity method	$ (18,095)	$ -
Proceeds from disposal of investments accounted for using the equity method	1,407	83,225
Net cash flow from the acquisition of subsidiaries	(31,033)	(816,729)
Dividends received from associates	54,774	42,777
Net cash flow from proceeds of the disposal of subsidiaries	-	11,654
Acquisition of property, plant and equipment	(1,213,769)	(1,580,672)
Proceeds from disposal of property, plant and equipment	151,867	116,164
(Increase) decrease in refundable deposits	17,265	(18,292)
Acquisition of intangible assets	(48,841)	(78,158)
Increase (decrease) in long-term accounts payables	(6,709)	102,519
Net cash used in investing activities	(1,747,646)	(2,700,866)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bonds	(2,400)	-
Decrease in short-term loans	(120,064)	(28,308)
Cash dividends paid	(3,017,820)	(2,763,586)
Exercise of employee share options	214,085	154,774
Repayments of long-term borrowings	-	(202,932)
Increase (decrease) in guarantee deposits received	1,515	(723)
Increase (decrease) in noncontrolling interests	15,119	(48,338)
Net cash used in financing activities	(2,909,565)	(2,889,113)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	35,619	193,132
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	289,649	(439,685)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,832,358	3,272,043
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,122,007	$ 2,832,358

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

(With Deloitte & Touche audit report dated March 31, 2015) (Concluded)

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

1. GENERAL INFORMATION

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 31, 2015.

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

a. The amendment the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) not yet effective

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

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
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 ended on or after June 30, 2009

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
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

(Concluded)

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

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

1) IFRS 10 "Consolidated Financial Statements"

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

2) 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.

3) 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.

4) IFRS 13 "Fair Value Measurement"

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

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

5) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

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

The Group will retrospectively apply the above amendments, starting from the year 2015. Items not expected to be reclassified to profit or loss are the remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the remeasurements of the defined benefit plans) of associates accounted for using the equity method.

However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

6) Revision to IAS 19 "Employee Benefits"

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the "corridor approach" permitted under current IAS 19 and accelerate the recognition of past service costs.

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

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to retained earnings. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The application of revised IAS 19, which requires the immediate recognition of past service costs, would result in an increase of $5,046 thousand in defined benefit liabilities and a decrease of $5,046 thousand in retained earnings as of and for the year ended December 31, 2014. In addition, the use of the net interest method is expected to cause an increase of $161 thousand in pension costs and a decrease of $161 thousand in actuarial loss on defined benefit plans for 2014.

7) Amendments to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", and IAS 32 "Financial Instruments: Presentation".

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 is expected to have material effect on the consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 3)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

The impairment of financial assets

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

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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.

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

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

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

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

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

6) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

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

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

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

8) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 7 were amended in this annual improvement.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

9) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

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

Attribution of total comprehensive income to noncontrolling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

2) Subsidiaries included in consolidated financial statements

The subsidiaries included in the consolidated statements are listed below. Refer to Table 9 for intercompany relationships and percentages of ownership as of December 31, 2014.

			% of Ownership		
			December 31		
Investor	**Investee**	**Main Business**	**2014**	**2013**	**Remark**
The Company	AAC (BVI)	Investment and management service	100.00	100.00	
	ATC	Sale of industrial automation products	100.00	100.00	
	Advansus Corp.	Production and sale of industrial automation products	100.00	100.00	
	Advantech Corporate Investment	Investment holding company	100.00	100.00	
	AEUH	Investment and management service	100.00	100.00	
	ASG	Sale of industrial automation products	100.00	100.00	g)
	AAU	Sale of industrial automation products	100.00	100.00	g)
	AJP	Sale of industrial automation products	100.00	100.00	g)
	AMY	Sale of industrial automation products	100.00	100.00	g)
	AKR	Sale of industrial automation products	100.00	100.00	
	ABR	Sale of industrial automation products	80.00	63.28	f)、g)
	ACA	Production and sale of portable industrial automation products	100.00	100.00	

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2014	2013	Remark
	AIN	Sale of industrial automation products	99.99	99.99	a)
	AdvanPOS	Production and sale of POS system	69.47	64.47	b)、h)
	ALTC	Production and sale of machine control solution	89.93	100.00	c)
	AMX	Sale of industrial automation products	100.00	-	a), f)
Advantech Corporate Investment	Netstar	Production and sale of industrial automation products	-	95.49	e)
	AiST (formerly named Broadwin Technology Inc.)	Design, develop and sale of intelligent service	100.00	100.00	
	Cermate	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	
ATC	ATC (HK)	Investment and management service	100.00	100.00	
ATC (HK)	AKMC	Production and sale of components of industrial automation products	100.00	100.00	
AAC (BVI)	ANA	Sale and fabrication of industrial automation products	100.00	100.00	
	AAC (HK)	Investment and management service	100.00	100.00	
ANA	ABR	Sale of industrial automation products	-	16.72	f)
	AMX	Sale of industrial automation products	-	100.00	f)
AAC (HK)	ACN	Sale of industrial automation products	100.00	100.00	
	AiSC	Sale of industrial automation products	100.00	100.00	
	AXA	Development and production of software products	100.00	100.00	
ACN	Hangzhou Advantofine Automation Co., Ltd.	Processing and sale of industrial automation products	60.00	60.00	
AEUH	AEU	Sale of industrial automation products	100.00	100.00	
	APL	Sale of industrial automation products	100.00	100.00	g)
AEU	A-DLoG	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	g)
	GPEG	Design, R&D and sale of gambling computer products	-	100.00	d)、h)
ASG	ATH	Production of computers	51.00	51.00	
	AID	Sale of industrial automation products	100.00	100.00	
Cermate	Land Mark	General investment	100.00	100.00	
Land Mark	Cermate (Shanghai)	Sale of industrial electronic equipments	100.00	100.00	
	Cermate (Shenzhen)	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	
AdvanPOS	Bright Mind Ltd.	General investment	100.00	100.00	
Bright Mind Ltd.	AdvanPOS	Production and sale of POS system	100.00	100.00	
ALTC	Better Auto	General investment	100.00	100.00	
Better Auto	Famous Now Limited	General investment	100.00	100.00	
Famous Now Limited	Dongguan Pou Yuen Digital Technology Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	

(Concluded)

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

Remark (b): In the third quarter of 2013, the Company acquired 70.19% equity in AdvanPOS, which was recognized as a consolidated entity as of December 31, 2013. AdvanPOS issued ordinary shares for the exercise of employee share options, decreasing the Company's holding interest by 0.63% and 5.72% in 2014 and 2013, respectively. In the fourth quarter of 2014, the Company subscribed for an additional 1,127 thousand shares of AdvanPOS. These transactions reduced its interest from 70.19 % to 69.47%.

Remark (c): In the third quarter of 2013, the Company acquired 99.97% equity of ALTC and later bought the rest of this subsidiary's shares, resulting in the subsidiary's becoming wholly owned by the Company. Thus, ALTC was recognized as a consolidated entity as of December 31, 2013.

In the first quarter of 2014, the Company sold 10.27% of its holding of ALTC shares to ALTC's employees; in the second and third quarters of 2014, the Company bought 0.14% and 0.06%, respectively, of ALTC's outstanding shares. These transactions reduced its continuing interest from 100% to 89.93%.

Remark (d): In the fourth quarter of 2013, the Company had acquired 100% equity of GPEG, which was recognized as a consolidated entity as of December 31, 2013. In the fourth quarter of 2014, GPEG merged with AEU, with AEU as the survivor entity.

Remark (e): In the third quarter of 2013, the Company had a whale-minnow merge with Netstar, with the Company as the survivor entity.

Remark (f): As a result of an investment restructuring in 2014, ABR and AMX became the Company's direct subsidiaries at equity interests of 80% and 100%, respectively.

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

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

e. Business combinations

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

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

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

f. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries and associates 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.

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to 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.

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

g. Inventories

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

h. Investment in associates

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

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

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

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

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

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

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

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

i. Property, plant, and equipment

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

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

Freehold land is not depreciated.

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

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

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

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

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.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

n. Provisions

Provisions 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.

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

o. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

q. Retirement benefit costs

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

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

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

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

r. Employee share options

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

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

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Estimated impairment of trade receivables

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

c. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	**2013**
Cash on hand	$ 4,852	$ 73,474
Checking accounts and demand deposits	2,925,186	2,233,909
Time deposits with original maturities less than three months	191,969	524,975
	$ 3,122,007	$ 2,832,358

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	**2013**
Financial assets held for trading - current		
Derivative financial assets		
Forward exchange contracts	$ 14,879	$ 2,723
Nonderivative financial assets		
Domestic quoted shares	119,525	-
Foreign quoted shares	30,998	-
	$ 165,402	$ 2,723
Financial liabilities held for trading - current		
Derivative financial liabilities		
Forward exchange contracts	$ 8,698	$ 23,722

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2014			
Sell	USD/NTD	2015.01-2015.04	USD1,263/NTD38,634
	EUR/USD	2015.01-2015.04	EUR1,000/USD1,263
	EUR/NTD	2015.01-2015.04	EUR10,500/NTD415,900
	JPY/NTD	2015.01-2015.03	JPY70,000/NTD20,011
	RMB/NTD	2015.01-2015.05	RMB65,000/NTD322,421
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

The Company entered into forward exchange contracts during the years ended December 31, 2014 and 2013 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			
	2014		2013	
	Current	Noncurrent	Current	Noncurrent
Domestic investments				
Mutual funds	$ 2,351,160	$ -	$ 2,056,368	$ -
Quoted shares	133,083	2,385,937	56,059	1,829,292
Unlisted shares	-	9,375	-	1,875
Foreign investments				
Unquoted foreign shares	-	33,257	-	33,257
Investment products denominated in RMB	947,116	-	-	-
	$ 3,431,359	$ 2,428,569	$ 2,112,427	$ 1,864,424

The Company and its subsidiary Advantech Corporate Investment classified their holding of shares of Chunghwa Telecom Co., Ltd. as available-for-sale - noncurrent or available-for-sale - current in accordance with the purpose for and nature of these shares.

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. As of December 31, 2014 and 2013, the stocks held in trust amounted to $1,792,025 thousand and $1,414,163 thousand, respectively. Refer to Table 3 for more information. On the transactions, the Group recognized gains of $144 thousand and $1,631 thousand in the years ended December 31, 2014 and 2013, respectively. These gains were recorded under other nonoperating income.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2014	2013
Time deposits with original maturities of more than three months	$ 5,487	$ 568,803

The market annual interest rates for time deposits with original maturities of more than three months were from 1.00% to 2.50% and from 1.40% to 5.10%, as of December 31, 2014 and 2013, respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2014	2013
Notes receivable	$ 949,861	$ 749,529
Trade receivables	$ 5,110,375	$ 4,743,282
Less: Allowance for impairment loss	(150,002)	(140,802)
	$ 4,960,373	$ 4,602,480

a. Trade receivables

The average credit period on sales of goods was from 30 to 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

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

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

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

	December 31 2014	December 31 2013
31 to 60 days	$ 99,746	$ 102,869
61 to 90 days	39,729	50,581
	$ 139,475	$ 153,450

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	$ 4,729	$ 79,859	$ 84,588
Add (less): Impairment losses recognized (reversed) on receivables	(1,579)	37,704	36,125
Less: Amounts written off during the year as uncollectible	-	(7,679)	(7,679)
Business combination	-	23,568	23,568
Foreign exchange translation gains and losses	-	4,200	4,200
Balance at December 31, 2013	$ 3,150	$137,652	$140,802
Balance at January 1, 2014	$ 3,150	$137,652	$140,802
Add (less): Impairment losses recognized (reversed) on receivables	16,652	(6,661)	9,991
Less: Amounts written off during the year as uncollectible	-	(2,467)	(2,467)
Foreign exchange translation gains and losses	-	1,676	1,676
Balance at December 31, 2014	$ 19,802	$130,200	$150,002

11. INVENTORIES

	December 31 2014	December 31 2013
Raw materials	$ 1,578,803	$ 1,706,136
Work in process	894,068	656,018
Finished goods	1,740,456	1,145,321
Inventories in transit	568,223	523,182
	$ 4,781,550	$ 4,030,657

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2014 and 2013 were $21,339,035 thousand and $18,074,403 thousand, respectively.

The costs of inventories were decreased by $449,653 thousand and $458,853 thousand as of December 31, 2014 and 2013, respectively when stated at the lower of cost or net realizable values.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

Name of Investee	For the Year Ended December 31 2014	For the Year Ended December 31 2013
Listed companies		
Axiomtek Co., Ltd.	$ 420,063	$ 363,653
Unlisted companies		
Deneng Scientific Research Co., Ltd. (Deneng)	17,758	-
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	9,842	7,444
GPEG K&M Ltd.	-	31,336
	$ 447,663	$ 402,433

Name of Investee	Percentage of Equity Ownership December 31 2014	Percentage of Equity Ownership December 31 2013
Axiomtek Co., Ltd.	26.30%	26.45%
Deneng	39.69%	-
Jan Hsiang	28.50%	28.50%
GPEG K&M Ltd.	-	25.00%

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

When the Group disposed of all of its interest in GPEG K&M Ltd. in June 2014, which resulted in proceeds of $1,407 thousand (£ 28 thousand) and a loss of $19,313 thousand, it ceased to have significant influence on this investee.

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

	December 31 2014	December 31 2013
Axiomtek Co., Ltd.	$ 1,599,909	$ 1,152,181

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

	December 31 2014	December 31 2013
Total assets	$ 2,167,847	$ 1,925,214
Total liabilities	$ 543,584	$ 502,746

	For the Year Ended December 31	
	2014	2013
Revenue	$ 2,527,472	$ 2,275,524
Profit for the year	$ 379,485	$ 285,448
Other comprehensive income	$ 760	$ 12,330

The investments accounted for by the equity method and the share of profit or loss of other comprehensive income of those investments for the years ended December 31, 2014 and 2013 was based on the associates' financial statements audited by other CPAs for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
Balance at January 1, 2013	$ 2,818,523	$ 2,902,510	$ 1,158,555	$ 536,207	$ 838,366	$ 460,970	$ 8,715,131
Additions	-	2,151	75,402	79,777	87,039	1,336,303	1,580,672
Disposals	(17,089)	(31,957)	(27,010)	(16,159)	(13,745)	(8,679)	(114,639)
Acquisitions through business combinations	109,686	113,362	86,003	18,932	12,435	-	340,418
Reclassifications	-	164	(16,839)	4,968	(5,431)	(804)	(17,942)
Effect of exchange differences	5,419	82,598	24,314	17,420	21,860	33,436	185,047
Balance at December 31, 2013	$ 2,916,539	$ 3,068,828	$ 1,300,425	$ 641,145	$ 940,524	$ 1,821,226	$ 10,688,687
Accumulated depreciation and impairment							
Balance at January 1, 2013	$ -	$ 641,712	$ 749,100	$ 375,528	$ 557,155	$ -	$ 2,323,495
Disposals	-	(18,331)	(7,149)	(7,612)	(7,199)	-	(40,291)
Depreciation expense	-	92,160	119,784	59,422	101,275	-	372,641
Acquisition through business combination	-	20,781	49,809	12,820	6,850	-	90,260
Reclassifications	-	1,322	(8,297)	3,345	(51,631)	-	(55,261)
Effect of exchange differences	-	20,546	11,650	12,546	11,422	-	56,164
Balance at December 31, 2013	$ -	$ 758,190	$ 914,897	$ 456,049	$ 617,872	$ -	$ 2,747,008
Carrying amounts at December 31, 2013	$ 2,916,539	$ 2,310,638	$ 385,528	$ 185,096	$ 322,652	$ 1,821,226	$ 7,941,679
Cost							
Balance at January 1, 2014	$ 2,916,539	$ 3,068,828	$ 1,300,425	$ 641,145	$ 940,524	$ 1,821,226	$ 10,688,687
Additions	165,222	45,671	101,324	100,244	223,028	591,081	1,226,570
Disposals	(35,506)	(28,745)	(35,608)	(23,643)	(38,407)	(14,965)	(176,874)
Reclassifications	13,248	2,140,187	169,220	37,882	209,443	(2,359,874)	210,106
Effect of exchange differences	5,812	94,245	19,248	2,021	29,844	3,418	154,588
Balance at December 31, 2014	$ 3,065,315	$ 5,320,186	$ 1,554,609	$ 757,649	$ 1,364,432	$ 40,886	$ 12,103,077
Accumulated depreciation and impairment							
Balance at January 1, 2014	$ -	$ 758,190	$ 914,897	$ 456,049	$ 617,872	$ -	$ 2,747,008
Disposals	-	(9,690)	(32,189)	(23,050)	(27,897)	-	(92,826)
Depreciation expense	-	135,507	131,198	85,116	152,390	-	504,211
Reclassifications	-	-	19,932	(31,275)	38,088	-	26,745
Effect of exchange differences	-	15,529	10,340	3,579	11,885	-	41,333
Balance at December 31, 2014	$ -	$ 899,536	$ 1,044,178	$ 490,419	$ 792,338	$ -	$ 3,226,471
Carrying amounts at December 31, 2014	$ 3,065,315	$ 4,420,650	$ 510,431	$ 267,230	$ 572,094	$ 40,886	$ 8,876,606

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

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

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

14. GOODWILL

	For the Year Ended December 31	
	2014	2013
Cost		
Balance at January 1	$ 1,265,658	$ 632,181
Acquisition through business combination (Note 25)	-	613,820
Derecognized on disposal of a subsidiary (Note 26)	-	(6,279)
Adjustments for goodwill after merger	(68,766)	-
Effect of exchange differences	(28,165)	25,936
Balance at December 31	$ 1,168,727	$ 1,265,658

On November 18, 2013, AEU acquired 100% equity in GPEG. A valuation report received on October 28, 2014 indicated that the fair value of intangible assets of GPEG at the date of acquisition was different from the provisional amounts. Thus, the Group made adjustments to the purchase price and fair value of assets acquired to reflect the facts and circumstances that existed at the date of acquisition. The comparative figures for the year ended December 31, 2013 have been restated as if the initial accounting had completed on the acquisition date. Refer to Note 25 for this price adjustment.

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

	December 31, 2013	Acquisition Date
Goodwill adjustment	$ 162,244	$ 93,478
Intangible assets	$ -	$ 44,477

15. PREPAYMENTS FOR LEASE OBLIGATION

	December 31	
	2014	2013
Current assets (included in other current assets)	$ 2,606	$ 3,556
Noncurrent assets	96,516	94,416
	$ 99,122	$ 97,972

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

16. BORROWINGS

Short-term Borrowings

	December 31	
	2014	2013
Secured borrowings		
Bank loans	$ -	$ 97,797
Unsecured borrowings		
Line of credit borrowings	3,080	25,347
	$ 3,080	$ 123,144

The range of weighted average effective interest rates on bank loans were 0.80%-1.30% and 1.18% per annum as of December 31, 2014 and 2013, respectively.

17. BONDS PAYABLE

	December 31	
	2014	2013
Unsecured domestic convertible bonds	$ -	$ 18,500
Less: Unamortized discount on bonds payable	-	(152)
Less: Current portion	-	(18,348)
	$ -	$ -

On May 26, 2011, the Company issued three-year unsecured convertible bonds with an aggregate face value of $800,000 thousand, or an NT$100 thousand par value for 8 thousand shares; a coupon rate of 0%; and an effective interest rate of 2.13%. The bonds were convertible into the Company's common shares at an agreed conversion price between May 27, 2012 and May 16, 2014. The Company bifurcated the bonds into liability and equity components. The bonds had been recorded as capital surplus from stock options amounting to $44,716 thousand and as bonds payable amounting to $750,943 thousand. The bonds that had been converted into 10,116 thousand shares amounted to $797,600 thousand.

The balance of outstanding convertible bonds was less than 10% of the aggregate face value of NT$800,000 thousand as of January 31, 2014. Under the contract on bond issuance and conversion, the Company should buy back all the outstanding bonds. Thus, the Company redeemed the outstanding bonds for $2,400 thousand, resulting in a loss of $17 thousand.

18. OTHER LIABILITIES

	December 31	
	2014	2013
Other payables		
Salaries or bonuses payable	$ 2,168,012	$ 1,790,658
Payable for royalties	48,622	88,992
Payable for employee benefits	122,618	110,196
Others	909,016	919,544
	$ 3,248,268	$ 2,909,390

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. In compliance with the LPA, the recognized pension costs was $120,224 thousand and $105,056 thousand as of December 31, 2014 and 2013, respectively.

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

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

Recognized retirement costs in accordance with local laws were $123,821 thousand for 2014 and $99,916 thousand for 2013.

b. Defined benefit plans

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

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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	
	2014	**2013**
Discount rates	1.875-2.000%	1.875-2.000%
Expected rates of salary increase	3.000-3.250%	2.250-3.250%
Expected return on plan assets	2.000%	2.000%

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

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

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 2,556	$ 2,716
Interest cost	5,295	4,598
Expected return on plan assets	(2,620)	(2,468)
Effect of Company's merger with a subsidiary	277	-
Prior service cost	-	561
	$ 5,508	$ 5,407
An analysis by function		
Operating cost	$ 1,108	$ 1,028
Marketing expenses	776	798
Administration expenses	1,637	1,399
Research and development expenses	1,987	2,182
	$ 5,508	$ 5,407

Actuarial losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were $4,751 thousand and $9,069 thousand, respectively. The cumulative amounts of actuarial losses and gains recognized in other comprehensive income as of December 31, 2014 and 2013 were $3,658 thousand and $1,093 thousand, respectively.

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

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 312,216	$ 297,830
Fair value of plan assets	(146,789)	(135,361)
Deficit	165,427	162,469
Past service cost not yet recognized	(5,044)	(5,605)
Net liability arising from defined benefit obligation	$ 160,383	$ 156,864

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

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 282,236	$ 282,974
Current service cost	2,556	2,716
Interest cost	5,295	4,598
Actuarial gains	7,390	9,502
Benefits paid	(1,092)	(1,960)
Liabilities assumed in a business combination	15,831	-
Closing defined benefit obligation	$ 312,216	$ 297,830

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

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 127,103	$ 126,162
Expected return on plan assets	2,620	2,468
Actuarial gains (losses)	1,667	(853)
Contributions from the employer	7,806	9,544
Benefits paid	(1,092)	(1,960)
Assets acquired in a business combination	8,685	-
Closing fair value of plan assets	$ 146,789	$ 135,361

For the years ended December 31, 2014 and 2013, the actuarial return on plan assets were $4,287 thousand and $1,615 thousand, respectively.

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

	December 31	
	2014	2013
Cash	19.12	22.86
Short-term transactions instruments	1.98	4.10
Debt instruments	11.92	9.37
Fixed-income investments	14.46	18.11
Equity instruments	49.69	44.77
Others	2.83	0.79
	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 (January 1, 2012).

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 312,216	$ 297,830	$ 282,974	$ 302,915
Fair value of plan assets	$ 146,789	$ 135,361	$ 126,162	$ 124,244
Deficit	$ 165,427	$ 162,469	$ 156,812	$ 178,671
Experience adjustments on plan liabilities	$ (700)	$ (21,063)	$ 9,667	$ -
Experience adjustments on plan assets	$ 1,667	$ (853)	$ (1,376)	$ -

The Group expects to make a contribution of $7,811 thousand and $8,153 thousand, respectively to the defined benefit plans during the annual period beginning after 2014 and 2013.

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2014	2013
Number of shares authorized (in thousands)	800,000	600,000
Amount of shares authorized	$ 8,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	631,209	569,400
Amount of shares issued	$ 6,312,091	$ 5,694,000

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

b. Capital surplus

	December 31	
	2014	2013
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of common shares	$ 3,396,888	$ 3,396,888
Arising from conversion of bonds	931,849	917,994
Arising from the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	11,457	-
May be used to offset a deficit only		
Arising from changes in percentage of ownership interest in subsidiaries (2)	679	2,552
Arising from employee share options	736,092	477,004
Arising from distribution of stock dividends	78,614	78,614
May not be used for any purpose		
Arising from share of changes in capital surplus of associates	10,526	1,560
Arising from employee share options	140,853	121,023
	$ 5,306,958	$ 4,995,635

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

For the years ended December 31, 2014 and 2013, the bonuses to employees and remunerations to directors and supervisors were $138,000 thousand and $82,000 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. For the calculation of the number of 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.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC on April 6, 2012 and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

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

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

The appropriation of earnings, including bonus to employees and the remuneration to directors and supervisors for 2013 and 2012 were approved in the shareholders' meetings on June 18, 2014 and June 13, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012
Legal reserve	$ 410,640	$ 346,239		
Reversal of special reserve	-	(545,303)		
Cash dividends	3,017,820	2,763,586	$ 5.3	$ 4.9
Stock dividends	569,400	-	1.0	-

	Cash Dividends	
	For the Year Ended December 31	
	2013	2012
Bonus to employees	$ 70,000	$ 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 the years ended December 31, 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 GAAP"), and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

There was no significant difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 18, 2014 and June 13, 2013 and the amounts recognized in the financial statements for the years ended December 31, 2013 and 2012.

The appropriations of earnings for 2014 had been proposed by the Company's board of directors on March 31, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 490,778	$ -
Cash dividends	3,787,255	6.0

	Cash Dividends
Bonus to employees	$ 126,000
Remuneration to directors and supervisors	12,000

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution of the shareholders' meeting to be held on May 28, 2015.

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

d. Other equity items

1) Exchange difference arising on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 130,041	$ (104,345)
Exchange differences on translating the net assets of foreign operations	246,470	272,860
Gain on disposal of foreign operations reclassified to profit or loss	-	5,650
Income tax relating to gains arising on translating the net assets of foreign operations	(42,667)	(48,007)
Share of exchange difference of associates accounted for using the equity method	4,512	3,883
Balance at December 31	$ 338,356	$ 130,041

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

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ (75,534)	$ 168,944
Unrealized gain (loss) on revaluation of available-for-sale financial assets	681,974	(175,298)
Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets	(43,163)	(69,180)
Balance at December 31	$ 563,277	$ (75,534)

e. Noncontrolling interests

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 161,891	$ 107,891
Attributable to noncontrolling interests:		
Share of profit for the year	24,228	20,812
Exchange difference on translation of foreign entities	(2,566)	4,431
Actuarial losses on defined benefit plans	(258)	-
Income tax related to actuarial gains and losses	43	-
Acquisition of noncontrolling interests in subsidiaries (Note 25)	-	44,487
Acquisition of noncontrolling interests in subsidiaries through merger (Note 27)	(24,659)	(15,730)
Disposal of noncontrolling interests in subsidiaries (Note 27)	28,321	-
Balance at December 31	$ 187,000	$ 161,891

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	$ 6,031	$ 8,634
Interest on convertible bonds	21	2,768
Others	8,368	-
	$ 14,420	$ 11,402

b. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	$ 504,211	$ 372,641
Intangible assets	90,709	108,780
Prepayments for lease obligation	2,519	2,467
	$ 597,439	$ 483,888
An analysis of depreciation by function		
Operating costs	$ 125,109	$ 113,592
Operating expenses	379,102	259,049
	$ 504,211	$ 372,641
An analysis of amortization by function		
Operating costs	$ 3,004	$ 4,525
Operating expenses	90,224	106,722
	$ 93,228	$ 111,247

c. Employee benefit expense

	For the Year Ended December 31	
	2014	2013
Post-employment benefits		
Defined contribution plans	$ 244,045	$ 204,972
Defined benefit plans (Note 19)	5,508	5,407
	249,553	210,379
Other employee benefits	7,417,145	6,403,981
Total employee benefit expense	$ 7,666,698	$ 6,614,360
An analysis of employee benefits expense by function		
Operating costs	$ 1,700,981	$ 1,413,011
Operating expenses	5,965,717	5,201,349
	$ 7,666,698	$ 6,614,360

d. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2014	2013
Foreign exchange gains	$ 747,219	$ 551,284
Foreign exchange losses	(669,013)	(406,602)
Net gains	$ 78,206	$ 144,682

22. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of current period	$ 834,700	$ 865,922
Income tax for unappropriated earnings	11,219	89,810
In respect of prior periods	62,934	37,094
	908,853	992,826
Deferred tax		
In respect of current period	214,243	48,511
Income tax expense recognized in profit or loss	$ 1,123,096	$ 1,041,337

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

	For the Year Ended December 31	
	2014	2013
Profit before tax from continuing operations	$ 6,055,106	$ 5,168,546
Income tax expense calculated at the statutory rate	$ 1,317,740	$ 1,186,411
Nondeductible expenses in determining taxable income	3,119	611
Tax-exempt income	(220,305)	(178,105)
Income tax on unappropriated earnings	11,219	89,810
Investment credits in the current year	(218)	(9,699)
Loss carryforwards in the current year	(40,641)	(27,101)
Unrecognized unappropriated earnings of subsidiaries	(11,692)	(61,620)
Adjustments for prior years' tax	62,934	37,094
Others	940	3,936
Income tax expense recognized in profit or loss	$ 1,123,096	$ 1,041,337

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

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	**2013**
Deferred tax		
In respect of current period		
Translation of foreign operations	$ (42,667)	$ (48,007)
Actuarial gains and losses on defined benefit plan	972	1,760
	$ (41,695)	$ (46,247)

c. Current tax assets and liabilities

	December 31	
	2014	**2013**
Current tax liabilities		
Income tax payable	$ 787,404	$ 695,945

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, 2014

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Acquisition through Business Combinations**	**Closing Balance**
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 41,968	$ (1,030)	$ -	$ -	$ 40,938
Unrealized loss of inventory write-down	21,488	24,679	-	-	46,167
Loss carryforwards	12,865	(12,865)	-	-	-
Defined benefit obligation	16,823	(143)	-	-	16,680
Unrealized warranty liabilities	7,014	16,526	-	-	23,540
Actuarial gains on defined benefit plans	1,949	-	875	127	2,951
Unrealized exchange losses (gains)	1,339	(1,275)	-	-	64
Doubtful debts in excess of allowable limit	-	2,839	-	-	2,839
Others	40,601	(12,512)	-	-	28,089
	$ 144,047	$ 16,219	$ 875	$ 127	$ 161,268
Deferred tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 588,210	$ 224,399	$ -	$ -	$ 812,609
Exchange difference on foreign operations	26,635	-	42,667	-	69,302
Actuarial gains on defined benefit plans	3,644	(1,211)	(97)	1,310	3,646
Unrealized exchange gains	1,299	9,792	-	-	11,091
Others	3,810	(2,518)	-	-	1,292
	$ 623,598	$ 230,462	$ 42,570	$ 1,310	$ 897,940

For the year ended December 31, 2013

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

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

	December 31	
	2014	2013
Loss carryforwards		
2014	$ -	$ 35,300
2017	24,371	50,623
2018	37,282	166,112
2019	29,410	133,201
2020	-	92,370
2021	16,487	52,201
2022	13,126	38,134
	$ 120,676	$ 567,941
Deductible temporary differences		
Accumulative losses of subsidiaries	$ 20,742	$ 1,315

f. Information about unused loss carryforwards and tax-exemption

As of December 31, 2014, loss carryforwards comprised of:

Losses Occurred	Remaining Creditable Amount: Advantech Corporate Investment	Remaining Creditable Amount: AdvanPOS Technology Co., Ltd.	Expiry Year
2007	$ 20,771	$ 3,600	2017
2008	-	37,282	2018
2009	-	29,410	2019
2011	-	16,487	2021
2012	-	13,126	2022
	$ 20,771	$ 99,905	

As of December 31, 2014, 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
The Company	Investments in production of intelligent-integrated commodities	2011-2015

g. Integrated income tax

	December 31 2014	December 31 2013
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	$ 6,358,318	$ 5,452,733
Imputation credits accounts	$ 271,571	$ 523,985

The creditable ratios for the distribution of the earnings of 2014 and 2013 were 13.42% and 9.57%, respectively.

Under the Income Tax Law, for the distribution of earnings generated after January 1, 1998, the imputation credits allocable to ROC resident shareholders of the Company are calculated on the basis of the creditable ratio as of the date of dividend distribution.

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.

h. Income tax assessments

The Company’s tax returns through 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 reexamination. Nevertheless, to be conservative, the Company provided for the income tax assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2014	**2013**
Basic earnings per share	$ 7.80	$ 6.59
Diluted earnings per share	$ 7.77	$ 6.55

The earnings per share computation were retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on September 7, 2014. The basic and diluted after-tax earnings per share adjusted retrospectively were as follows:

	For the Year Ended December 31, 2013	
	Before Adjusted Retrospectively	**After Adjusted Retrospectively**
Basic earnings per share	$ 7.26	$ 6.59
Diluted earnings per share	$ 7.20	$ 6.55

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

Net Profit for the Year

	For the Year Ended December 31	
	2014	**2013**
Earnings used in the computation of basic earnings per share	$ 4,907,782	$ 4,106,397
Effect of dilutive potential ordinary shares:		
Convertible bonds	21	2,768
Employee share options	-	16,528
Earnings used in the computation of diluted earnings per share	$ 4,907,803	$ 4,125,693

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

	For the Year Ended December 31	
	2014	**2013**
Weighted average number of ordinary shares in computation of basic earnings per share	628,853	622,806
Effect of dilutive potential ordinary shares:		
Convertible bonds	18	1,750
Employee share options	2,367	5,106
Bonuses issued to employees	336	339
Weighted average number of ordinary shares used in the computation of diluted earnings per share	631,574	630,001

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumes that the entire amount of the bonus would be settled in shares, and the resulting potential shares will be included in the weighted average number of outstanding shares used in the computation of diluted earnings per share, if the effect is dilutive. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

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

Information on employee share options as of December 31, 2014 and 2013 is as follows:

	For the Year Ended December 31			
	2014		2013	
Employee Share Options	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	5,300	$ 48.80	8,450	$ 50.46
Options granted	5,000	100.00	-	-
Options exercised	(4,656)	45.98	(3,150)	49.13
Balance at December 31	5,644	94.10	5,300	48.80
Options exercisable, end of the year	644	48.30	5,300	48.80
Weighted-average fair value of options granted (NT$)	$145.77-$150.16		$ -	

The weighted-average fair values of employee share options exercised on the exercise date were from NT$189 to NT$280.5 in 2014 and from NT$122.5 to NT$206.5 in 2013.

Information on outstanding options for the years ended December 31, 2014 and 2013 is as follows:

	For the Year December 31			
	2014		2013	
Employee Share Options	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**
Issuance in 2014	$100.00	5.63	$ -	-
Issuance in 2010	48.30	0.53	54.20	1.53
Issuance in 2009	-	-	46.70	0.92

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

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

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

Compensation costs recognized were $111,393 thousand and $19,913 thousand for the years ended December 31, 2014 and 2013.

Qualified employees of AdvanPOS, a subsidiary of the Company, were granted 2,000 options in October 2009 and 800 options in December 2010. Each option entitles the holder to subscribe for one thousand common shares of AdvanPOS. These options, which were issued in October 2009 and December 2010, were valid for four and two years, respectively. All were exercisable at certain percentages after the first anniversary year from the grant date. For the exercise of options, AdvanPOS issued new shares to the employees at NT$10 per share.

Information on employee share options as of December 31, 2014 and 2013 is as follows:

	For the Year Ended December 31			
	2014		2013	
Employee Share Options	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	800	$ 10.00	2,418	$ 10.00
Options granted	-	-	800	10.00
Options exercised	(194)	10.00	(1,616)	10.00
Options expired	(55)	-	(2)	-
Options forfeited	(105)	-	-	-
Balance at December 31	446	10.00	800	10.00
Options exercisable, end of the year	268	10.00	-	-

Information on outstanding options for the years ended December 31, 2014 and 2013 is as follows:

	For the Year December 31			
	2014		2013	
Employee Share Options	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2010	$ 10.00	0.17	$ 10.00	1.92

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

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

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
GPEG	Manufacture and sale of embedded intelligent monitoring	November 18, 2013	100.00	$ 254,352
ALTC	Production and sale of Machine control solution	August 30, 2013	99.97	$ 729,787
AdvanPOS	Production and sale of POS system	July 31, 2013	70.19	$ 319,461

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

The Company acquired 99.97% equity of LNC Technology Co., Ltd., a subsidiary of Pou Chen Group, and renamed it Advantech-LNC Technology Co., Ltd. (ALTC). 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 to expand the new retail market of intelligent products. After the acquisition, AdvanPOS keeps its name and focuses on the area of POS (point of sale) system.

b. Considerations transferred

	For the Year Ended December 31, 2013		
	GPEG	ALTC	AdvanPOS
Cash	$ 254,352	$ 729,787	$ 319,461

On November 18, 2013, the Group acquired 100% equity in GPEG International Ltd. for $278,641 thousand (£5,850 thousand). The consideration is payable in four annual installments from 2013 to 2016. Based on a valuation report received on October 28, 2014, the consideration should be adjusted to $254,352 thousand (£5,340 thousand) after deducting finance costs and fair value adjustments to the assets and liabilities acquired. Payments for the consideration were $31,033 thousand and $136,534 thousand in 2014 and 2013, respectively.

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

	For the Year Ended December 31, 2013		
	GPEG	ALTC	AdvanPOS
Current assets			
Cash and cash equivalents	$ 33,634	$ 250,638	$ 84,781
Notes receivable	-	40,541	2,592
Trade receivables	132,083	110,266	26,703
Inventories	11,443	134,261	77,983
Other receivables	-	13,607	4,290
Other current assets	6,609	15,701	7,877
Noncurrent assets			
Plant and equipment	4,527	33,391	212,240
Investments accounted for using the equity method	30,270	-	-
Intangible assets	44,477	-	-
Other noncurrent assets	-	3,004	1,803
Current liabilities			
Trade and other payables	(85,819)	(99,871)	(67,748)
Tax liabilities	(16,255)	(916)	-
Other current liabilities	(95)	(7,192)	(1,792)
Noncurrent liabilities			
Long-term borrowings	-	-	(200,000)
	160,874	493,430	148,729
Percentage of equity interest acquired	100.00%	99.97%	70.19%
Net amount	$ 160,874	$ 493,282	$ 104,393

d. Non-controlling interests

The non-controlling interests of 0.03% in ALTC and 29.81% in AdvanPOS, were recognized at the acquisition date and were measured on the basis of the share of fair value of identifiable net assets acquired.

All outstanding share options granted by AdvanPOS to its employees had vested by the acquisition date. These share options were measured at their market-based measure of $1,360 thousand and were included in the non-controlling interest in AdvanPOS. Methods and significant assumptions used in determining the market-based measure at the acquisition date are set out in Note 24.

e. Goodwill arising on acquisition

	For the Year Ended December 31, 2013		
	GPEG	ALTC	AdvanPOS
Consideration transferred	$ 254,352	$ 729,787	$ 319,461
Add: Noncontrolling interest (0.03% equity in ALTC)	-	151	-
Add: Noncontrolling interest (29.81% equity in AdvanPOS)	-	-	44,336
Less: Fair value of identifiable net assets acquired	(160,874)	(493,430)	(148,729)
Goodwill arising on acquisition	$ 93,478	$ 236,508	$ 215,068

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

The total amount of acquisition goodwill was not deductible for tax purpose.

f. Net cash outflow on acquisition of subsidiaries

	For the Year Ended December 31	
	2014	2013
Consideration paid in cash	$ -	$ 1,303,600
Add: Opening balance of other payables	15,299	-
Add: Opening balance of long-term accounts payable	102,519	-
Less: Ending balance of other payables	(45,186)	(15,299)
Less: Ending balance of long-term accounts payable	(43,028)	(102,519)
Add: Effect of foreign exchange	1,429	-
Less: Cash and cash equivalent balances acquired	-	(369,053)
	$ 31,033	$ 816,729

g. Impact of acquisitions on the results of the Group

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

	For the Year Ended December 31, 2013
Revenue	
GPEG	$ 57,020
ALTC	$ 115,118
AdvanPOS	$ 179,836
Net Loss for the year	
GPEG	$ (1,719)
ALTC	$ (23,973)
AdvanPOS	$ (2,055)

Had these business combinations been in effect at the beginning of the annual reporting period, the Group’s revenue from continuing operations would have been $31,377,840 thousand, and the profit from continuing operations would have been $4,139,050 thousand for the year ended December 31, 2013. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

26. DISPOSAL OF SUBSIDIARIES

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

a. Consideration received from the disposal

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

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

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

c. Loss on disposal of subsidiary

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

d. Net cash inflow on disposal of subsidiary

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

27. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

a. As of December 31, 2014 and 2013, the Group acquired additional interests of 4.51% and 1.21%, respectively, in Netstar, increasing its interest to 100% and 95.49%, respectively. The Company merged with Netstar at the end of the third quarter of 2014 as a result of investment restructuring.

b. The Group acquired an additional 0.03% holding interest in ALTC in November 2013. In the first quarter of 2014, the Group disposed of 10.27% of its holding of shares of ALTC and distributed these shares to ALTC's employees; in the second and third quarters of 2014, the Company purchased 0.14% and 0.06%, respectively, of ALTC's outstanding shares. These share transactions resulted in a decrease in the Company's equity in ALTC from 100% to 89.93%.

c. AdvanPOS issued ordinary shares for the exercise of employee share options, decreasing the Company's holding interest by 0.63% and 5.72% in 2014 and 2013, respectively. In the fourth quarter of 2014, the Company subscribed for an additional 1,127 thousand shares of AdvanPOS. These transactions reduced its continuing interest from 70.19% to 69.47%.

d. In October and December 2013, the Group acquired additional 0.30% and 0.34% holding interest of ACA, increasing its continuing interest from 99.36% to 100%.

e. In November 2013, the Company acquired additional 20% holding interest of ABR, increasing its continuing interest from 60% to 80%.

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

	For the Year Ended December 31, 2014			
	Netstar	ALTC	AdvanPOS	Total
Cash consideration received (paid)	$ (13,520)	$ 51,174	$ (22,535)	$ 15,119
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	13,167	(28,321)	11,492	(3,662)
Differences arising from equity transaction	$ (353)	$ 22,853	$ (11,043)	$ (11,457)
Line items adjusted for equity transaction				
Capital surplus - difference between consideration received or paid and carrying amounts of the subsidiaries' net assets during actual disposal or acquisition	$ (353)	$ 22,853	$ (11,403)	$ 11,457
Capital surplus - changes in percentage of ownership interest in subsidiaries	-	-	(1,873)	(1,873)
	$ (353)	$ 22,853	$ (12,916)	$ (9,584)

	For the Year Ended December 31, 2013					
	ALTC	AdvanPOS	Netstar	ACA	ABR	Total
Cash consideration received (paid)	$ (213)	$ -	$ (3,631)	$ (4,878)	$ (39,616)	$ (48,338)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	137	-	2,239	2,911	10,443	15,730
Differences arising from equity transaction	$ (76)	$ -	$ (1,392)	$ (1,967)	$ (29,173)	$ (32,608)
Line items adjusted for equity transaction						
Capital surplus - changes in percentage of ownership in subsidiaries	$ -	$ 2,552	$ -	$ -	$ -	$ 2,552
Retained earnings	(76)	-	(1,392)	(1,967)	(29,173)	(32,608)
	$ (76)	$ 2,552	$ (1,392)	$ (1,967)	$ (29,173)	$ (30,056)

28. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Lease arrangements

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

As of December 31, 2014 and 2013, refundable deposits (recognized as other noncurrent assets) for the operating leases were $25,086 thousand and $24,123 thousand, respectively.

Recognized as expenses

	For the Year Ended December 31	
	2014	2013
Rental expenses	$ 171,528	$ 114,052

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged from 2013 through 2014.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity). The Group is not subject to any externally imposed capital requirements.

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

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Except as detailed in the following table, the management believed that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximated their fair values (or their fair values cannot be reliably measured):

	December 31			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ -	$ -	$ 18,348	$ 49,656

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, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 14,879	$ -	$ 14,879
Non-derivative financial asset held for trading	150,523	-	-	150,523
	$ 150,523	$ 14,879	$ -	$ 165,402

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,519,020	$ -	$ -	$ 2,519,020
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	2,351,160	-	-	2,351,160
Investment products denominated in RMB	-	-	947,116	947,116
	$ 4,870,180	$ -	$ 989,748	$ 5,859,928
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 8,698	$ -	$ 8,698

(Concluded)

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	$ 1,885,351	$ -	$ -	$ 1,885,351
Unlisted securities - ROC				
Equity securities	-	-	1,875	1,875
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	2,056,368	-	-	2,056,368
	$ 3,941,719	$ -	$ 35,132	$ 3,976,851
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 23,722	$ -	$ 23,722

As of December 31, 2014 and 2013, there were no transfers between Levels 1 and 2 in the current and prior periods.

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

For the year ended December 31, 2014

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

For the year ended December 31, 2013

	Available-for-sale Financial Assets		
	Equity Instruments	**Investment Products**	**Total**
Financial assets			
Balance at January 1, 2013	$ 33,257	$ -	$ 33,257
Purchases	1,875	-	1,875
Balance at December 31, 2013	$ 35,132	$ -	$ 35,132

4) 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.

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

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

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

b. Categories of financial instruments

	December 31	
	2014	2013
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading (Note 1)	$ 165,402	$ 2,723
Loans and receivables (Note 2)	9,079,678	8,784,485
Available-for-sale financial assets	5,859,928	3,976,851
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	8,698	23,722
Measured at amortized cost (Note 3)	6,691,263	6,156,944

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

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

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed it to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by entering into a variety of derivative financial instruments, which allow the Group to mitigate but not fully eliminate the effect. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts.

These forward exchange contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 34. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

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

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

	U.S. Dollar Impact		**Euro Impact**		**Renminbi Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Profit or loss	$ 27,648 (Note 1)	$ (30,259) (Note 1)	$ 56,189 (Note 2)	$ 8,013 (Note 2)	$ 3,875 (Note 3)	$ (18,718) (Note 3)

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

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

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

b) Interest rate risk

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

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

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

	December 31	
	2014	**2013**
Fair value interest rate risk		
Financial assets	$ 216,106	$ 1,203,088
Financial liabilities	3,080	347
Cash flow interest rate risk		
Financial assets	2,586,731	2,115,055
Financial liabilities	-	122,797

Sensitivity analysis

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

Had interest rates been 50 basis points higher and all other variables had been held constant, the Group's pre-tax profit for the years ended December 31, 2014 and 2013 would have increased by $12,934 thousand and $9,961 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

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, pre-tax profits for the year ended December 31, 2014 would have increased by $1,505 thousand as a result of changes in fair value of held-for-trading investments. Pre-tax other comprehensive income for the years ended December 31, 2014 and 2013 would have increased by $48,702 thousand and $39,417 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

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

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

3) Liquidity risk

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

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

As of December 31, 2014 and 2013, the Company had available unutilized short-term bank loan facilities set out in (c) below.

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

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

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

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 4,150,363	$ 1,722,512	$ 772,280	$ 43,028
Fixed interest rate liabilities	10	20	3,069	-
	$ 4,150,373	$ 1,722,532	$ 775,349	$ 43,028

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 3,654,479	$ 1,555,255	$ 721,547	$ 102,519
Variable interest rate liabilities	269	538	125,219	-
Fixed interest rate liabilities	29	58	262	-
	$ 3,654,777	$ 1,555,851	$ 847,028	$ 102,519

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

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

December 31, 2014

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

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Total
Gross settled				
Forward exchange 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)

c) Financing facilities

	December 31	
	2014	2013
Unsecured bank loan facilities		
Amount used	$ 3,000	$ 25,000
Amount unused	3,426,056	3,416,360
	$ 3,429,056	$ 3,441,360

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

	For the Year Ended December 31	
Related Party Categories	2014	2013
Associates	$ 80,889	$ 68,057
Other related parties	221	-
	$ 81,110	$ 68,057

b. Purchases of goods

	For the Year Ended December 31	
Related Party Categories	2014	2013
Associates	$ 24,357	$ 19,141

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

Line Items	Related Party Categories	December 31 2014	December 31 2013
Accounts receivable-related parties	Associates	$ 5,400	$ 6,579
Notes receivable	Associates	$ 370	$ -

The outstanding trade receivables from related parties are unsecured. As of December 31, 2014 and 2013, the Group had no bad-debt expenses recognized for trade receivables from related parties.

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

Accounts	Related Party Categories	December 31 2014	December 31 2013
Accounts payable	Associates	$ 1,546	$ 1,784

The outstanding trade payables from related parties are unsecured.

e. Property, plant and equipment acquired

Related Party	Acquisition Prices For the Year Ended December 31 2014	Acquisition Prices For the Year Ended December 31 2013
Other related parties	$ 193,240	$ -

f. Other transactions with related parties

Line Items	Related Party Categories	Operating Expenses For the Year Ended December 31 2014	Operating Expenses For the Year Ended December 31 2013
Rental expenses	Other related parties	$ 4,405	$ 8,851

Line Items	Related Party Categories	Other Income For the Year Ended December 31 2014	Other Income For the Year Ended December 31 2013
Other	Other related parties	$ 2,762	$ 2,000
	Associates	502	-
		$ 3,264	$ 2,000

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

g. Compensation of key management personnel

	For the Year Ended December 31	
	2014	**2013**
Short-term employee benefits	$ 41,098	$ 53,616
Post-employment benefits	109	112
Share-based payments	11,063	2,989
	$ 52,270	$ 56,717

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. As of December 31, 2013, AdvanPOS had pledged the following assets for short-term and long-term bank borrowings. AdvanPOS canceled the pledged assets in the second quarter of 2014.

	December 31, 2013
Fixed assets - land	$ 54,843
Fixed assets - buildings, net of accumulated depreciation	38,950
	$ 93,793

b. As of December 31, 2014 and 2013, as requested by suppliers, the Company pledged time deposits of $18,650 thousand and $109,110 thousand, respectively, for bank guarantees for the Company’s purchases.

c. As of December 31, 2013, AdvanPOS pledged a time deposit of $200 thousand as collateral for short-term borrowing.

33. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. As of December 31, 2014, the Company had a construction contract amounting to $1,627,500 thousand for a newly constructed science park located in Linkou in Taoyuan City, of which the Company had paid $135,839 thousand. The remaining amount was $1,491,661 thousand.

b. As of December 31, 2014 and 2013, the guarantee notes issued by Cermate for its bank borrowings had amounted to $40,000 thousand.

c. As of December 31, 2013, the guarantee notes issued by Netstar for its bank loan had amounted to $1,459 thousand.

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

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

December 31, 2014

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

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 134,791	31.650 (USD:NTD)	$ 4,266,135
RMB	490,578	5.0920 (RMB:NTD)	2,498,023
RMB	270,388	0.1609 (RMB:USD)	1,376,807
EUR	17,712	38.470 (EUR:NTD)	681,381
			$ 8,822,346
Nonmonetary items			
USD	992	31.650 (USD:NTD)	$ 31,397
Financial liabilities			
Monetary items			
USD	80,059	31.650 (USD:NTD)	$ 2,533,867
RMB	262,127	5.0920 (RMB:NTD)	1,334,751
USD	35,997	6.2156 (USD:RMB)	1,139,304
RMB	114,709	0.1609 (RMB:USD)	584,098
			$ 5,592,020

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 102,596	29.805 (USD:NTD)	$ 3,057,863
RMB	420,934	4.9040 (RMB:NTD)	2,064,261
RMB	258,522	0.1650 (RMB:USD)	1,267,785
EUR	18,900	41.090 (EUR:NTD)	776,618
			$ 7,166,527
Financial liabilities			
Monetary items			
USD	73,106	29.805 (USD:NTD)	$ 2,178,937
RMB	251,077	4.9040 (RMB:NTD)	1,231,279
USD	39,283	6.0777 (USD:RMB)	1,170,820
			$ 4,581,036

35. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held. (Table 3)

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

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

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

9) Transactions of financial instruments. (Notes 7 and 30)

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

11) Name, locations, and other information of investees. (Table 7)

12) Organization chart. (Table 9)

c. Information on investments in mainland China

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

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, their prices, and payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

36. SEGMENT INFORMATION

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

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

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

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

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

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

b. Segment revenues and results

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

	Industrial Automation Services	Embedded Boards and Design-in Services	Intelligent Services	Design and Manufacturing Service	Global Customer Services	Other	Total
Year ended December 31, 2014							
Revenues from external customers	$ 5,325,310	$14,305,236	$ 3,127,125	$ 8,929,026	$ 4,045,002	$ -	$35,731,699
Inter-segment revenues	-	56,658	-	-	-	-	56,658
Segment revenues	$ 5,325,310	$14,361,894	$ 3,127,125	$ 8,929,026	$ 4,045,002	$ -	35,788,357
Eliminations							(56,658)
Consolidated revenues							35,731,699
Segment income (loss)	$ 1,148,044	$ 2,677,724	$ 454,227	$ 1,504,783	$ 902,731	$(1,179,024)	5,508,485
Other revenues							91,185
Other income and expense							369,592
Finance costs							(14,420)
Share of profits of associates accounted for using the equity method							100,264
Profit before tax (continuing operations)							$ 6,055,106
Year ended December 31, 2013							
Revenues from external customers	$ 4,263,934	$11,771,803	$ 3,221,821	$ 7,552,733	$ 3,849,743	$ -	$30,660,034
Inter-segment revenues	-	(118,523)	-	-	-	-	(118,523)
Segment revenues	$ 4,263,934	$11,653,280	$ 3,221,821	$ 7,552,733	$ 3,849,743	$ -	30,541,511
Eliminations							118,523
Consolidated revenues							30,660,034
Segment income (loss)	$ 1,134,727	$ 2,231,822	$ 91,567	$ 1,470,261	$ 674,260	$ (934,487)	4,668,150
Other revenues							101,690
Other income and expense							336,428
Finance costs							(11,402)
Share of profits of associates accounted for using the equity method							73,680
Profit before tax (continuing operations)							$ 5,168,546

The income above was generated from transactions with external customers. There were no sales between segments during the years ended December 31, 2014 and 2013, respectively.

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

c. Revenue from major products and services

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

	For the Year Ended December 31	
	2014	**2013**
Industrial automation services	$ 5,325,310	$ 4,263,934
Embedded boards and design-in services	14,305,236	11,771,803
Intelligent services	3,127,125	3,221,821
Design and manufacturing service	8,929,026	7,552,733
Global customer services	4,045,002	3,849,743
	$ 35,731,699	$ 30,660,034

d. Geographical information

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	**2013**	**2014**	**2013**
Taiwan	$ 3,917,161	$ 2,841,041	$ 6,582,733	$ 5,908,806
Asia	13,686,915	11,390,213	2,879,254	2,643,643
USA	11,245,587	9,466,612	407,996	367,223
Europe	5,049,637	4,657,390	645,096	792,419
Others	1,832,399	2,304,778	1,209	1,459
	$ 35,731,699	$ 30,660,034	$ 10,516,288	$ 9,713,550

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

e. Information about major customers

No customers contributed 10% or more to the Group's revenue for both 2014 and 2013.

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
0	The Company	AEU	Accounts receivable - related parties	Yes	$ 141,828 (EUR 3,383 thousand)	$ -	$ -	2.00	Short-term financing	$ -	Financing need	$ -	None	None	$ 2,235,106 (Note C)	$ 4,470,212 (Note C)
1	AEUH	AEU	Accounts receivable - related parties	Yes	31,448 (EUR 750 thousand)	28,853 (EUR 750 thousand)	28,853 (EUR 750 thousand)	4.00	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
2	ANA	AKMC	Accounts receivable - related parties	Yes	145,590 (US$ 4,600 thousand)	145,590 (US$ 4,600 thousand)	129,765 (US$ 4,100 thousand)	2.00	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
3	Better Auto	Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	23,016 (RMB 4,520 thousand)	23,016 (RMB 4,520 thousand)	23,016 (RMB 4,520 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
		Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	15,825 (US$ 500 thousand)	15,825 (US$ 500 thousand)	15,825 (US$ 500 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
4	Advantech Corporate Investment	AdvanPOS	Accounts receivable - related parties	Yes	100,000	100,000	100,000	1.15	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
5	Cermate (Shanghai)	Cermate (Shenzhen)	Prepayments of inventories	Yes	12,157 (RMB 2,419 thousand)	9,128 (RMB 1,793 thousand)	9,128 (RMB 1,793 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)

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

Note B: The exchange rates as of December 31, 2014 were EUR1=NT$38.47, US$1=NT$31.65 and RMB1=NT$5.09

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ACA	Subsidiary	$ 2,235,106	$ 126,600	$ 126,600	$ -	$ -	0.6	$ 6,705,318	Y	N	N

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,239,461	$ 1,815,473	0.71	$ 1,815,473	Notes A and C
	Pegatron Corp.	-	〃	7,814,570	570,464	0.33	570,464	Notes A and D
	Fund							
	Mega Diamond Money Market	-	Available for sale financial assets - current	76,853,657.47	945,784	-	945,784	Note B
	Capital Money Market	-	〃	35,357,851.10	560,419	-	560,419	Note B
	Eastspring Investment Well Pool Fund	-	〃	15,830,783.10	211,553	-	211,553	Note B
Advantech Corporate Investment	Stock							
	Sercomm Corp.	-	Financial assets at fair value through profit or loss - current	117,000	8,365	0.05	8,365	Note A
	Allied Circuit Co., Ltd.	-	〃	2,800,000	111,160	5.44	111,160	Note A
	NXP Semiconductors N.V.	-	〃	4,000	9,672	-	9,672	Note A
	InvenSense, Inc.	-	〃	18,389	9,464	0.02	9,464	Note A
	Freescale Semiconductor, Ltd.	-	〃	7,199	5,749	-	5,749	Note A
	Honeywell International Inc.	-	〃	1,933	6,113	-	6,113	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	-
	Jaguar Technology	-	〃	500,000	7,500	2.00	7,500	-
	Taiwan Hon Chuan Enterprise Co., Ltd.	-	Available for sale financial assets - current	2,385,000	133,083	0.92	133,083	Note A
	Fund							
	Eastspring Investment Well Pool Fund	-	〃	14,153,933.40	189,144	-	189,144	Note B
	Taishin 1699 Money Market	-	〃	436,025.39	5,793	-	5,793	Note B
Advansus Corp.	Fund							
	Jih Sun Money Market	-	〃	7,656,351.22	111,322	-	111,322	Note B
Cermate	Fund							
	Eastspring Investment Well Pool Fund	-	〃	2,237,515.80	29,901	-	29,901	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Advantech Intelligent Service	Fund Eastspring Investment Well Pool Fund	-	〃	4,271,804.80	$ 57,086	-	$ 57,086	Note B
ACA	Fund Mega Diamond Money Market	-	〃	16,314,243.44	200,768	-	200,768	Note B
ALTC.	Fund Mega Diamond Money Market	-	〃	3,200,765.00	39,390	-	39,390	Note B

Note A: Market value was based on the closing price on December 31, 2014.

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2014.

Note C: The amount included $1,437,975 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 $354,050 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.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note)		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	Fund													
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	77,279,008.82	$ 944,030	103,786,543.73	$ 1,275,000	104,211,895.08	$ 1,280,183	$ 1,274,030	$ 6,153	76,853,657.47	$ 945,000
	Capital Money Market	Available-for-sale financial assets - current	-	-	18,926,086.30	298,000	61,850,279.20	978,000	45,418,514.40	717,907	716,000	1,907	35,357,851.10	560,000
	Eastspring Investment Well Pool Fund	Available-for-sale financial assets - current	-	-	-	-	39,798,879.90	530,500	23,968,096.80	319,226	319,000	226	15,830,783.10	211,500
	Mega RMB Money Market	Available-for-sale financial assets - current	-	-	-	-	11,214,444.71	548,733	11,214,444.71	551,937	548,733	3,204	-	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Investment product													
	90 days guaranteed-yield investment product in RMB	Available-for-sale financial assets - current	-	-	-	-	-	559,900 (RMB 110,000)	-	-	-	-	-	559,900 (RMB 110,000)

Note: The exchange rate as of December 31, 2014 was RMB1=NT$5.09.

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AEU	Subsidiary	Sale	$ (3,065,461)	11.66	30 days after month-end	Contract price	No Significant difference in terms for related parties	$ 764,758	15.02	
	ANA	Subsidiary	Sale	(8,002,326)	30.43	45 days after month-end	Contract price	No Significant difference in terms for related parties	870,711	17.10	
	ACN	Subsidiary	Sale	(4,060,692)	15.44	45 days after month-end	Contract price	No Significant difference in terms for related parties	1,408,675	27.66	Note A
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Subsidiary	Sale	(1,083,110)	4.12	45 days after month-end	Contract price	No Significant difference in terms for related parties	327,728	6.44	Note B
	AKMC	Subsidiary	Sale	(1,274,048)	4.84	45 days after month-end	Contract price	No Significant difference in terms for related parties	275,995	5.42	Note C
	ASG	Subsidiary	Sale	(166,839)	0.63	60-90 days	Contract price	No Significant difference in terms for related parties	29,423	0.58	
	AJP	Subsidiary	Sale	(417,124)	1.59	60-90 days	Contract price	No Significant difference in terms for related parties	94,707	1.86	
	AAU	Subsidiary	Sale	(173,950)	0.66	60-90 days	Contract price	No Significant difference in terms for related parties	53,810	1.06	
	ABR	Subsidiary	Sale	(203,654)	0.77	90 days after month-end	Contract price	No Significant difference in terms for related parties	70,306	1.38	
	AKR	Subsidiary	Sale	(594,749)	2.26	60 days after invoice date	Contract price	No Significant difference in terms for related parties	12,545	0.25	
	ATC	Subsidiary	Purchase	9,491,663	49.26	Usual trade terms	Contract price	No Significant difference in terms for related parties	(1,677,543)	52.23	
	Advansus Corp.	Subsidiary	Purchase	1,411,676	7.33	Usual trade terms	Contract price	No Significant difference in terms for related parties	(459,774)	14.31	
	ACA	Subsidiary	Purchase	3,092,656	16.05	Usual trade terms	Contract price	No Significant difference in terms for related parties	(246,013)	7.66	
ACN	AiSC	Related enterprise	Sale	(165,603)	2.64	Usual trade terms	Contract price	No Significant difference in terms for related parties	18,743	1.44	
ACA	AKMC	Related enterprise	Sale	(1,101,969)	21.73	Usual trade terms	Contract price	No Significant difference in terms for related parties	50,151	12.79	
	Advansus Corp.	Related enterprise	Sale	(862,626)	17.01	Usual trade terms	Contract price	No Significant difference in terms for related parties	89,859	22.91	
AiSC	AKMC	Related enterprise	Sale	(159,766)	8.28	Usual trade terms	Contract price	No Significant difference in terms for related parties	38,630	6.46	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AKMC	Netstar	Related enterprise	Sale	$ (126,790)	2.02	Usual trade terms	Contract price	No Significant difference in terms for related parties	$ -	-	
	ACN	Related enterprise	Sale	(226,989)	2.42	Usual trade terms	Contract price	No Significant difference in terms for related parties	45,896	6.00	
	ATC	Parent company	Sale	(8,862,230)	94.33	Usual trade terms	Contract price	No Significant difference in terms for related parties	682,596	89.25	
	AiSC	Related enterprise	Sale	(169,218)	1.80	Usual trade terms	Contract price	No Significant difference in terms for related parties	32,051	4.19	
ANA	ACA	Related enterprise	Sale	(111,294)	1.18	Usual trade terms	Contract price	No Significant difference in terms for related parties	25,448	1.68	
Advansus Corp.	ACA	Related enterprise	Sale	(226,064)	5.31	Usual trade terms	Contract price	No Significant difference in terms for related parties	15,680	1.45	
	AKMC	Related enterprise	Sale	(1,346,097)	31.65	Usual trade terms	Contract price	No Significant difference in terms for related parties	475,760	44.05	
	AKR	Related enterprise	Sale	(136,379)	3.21	Usual trade terms	Contract price	No Significant difference in terms for related parties	7,757	0.72	
ALTC	Dongguan Pou Yuen Digital Technology Co., Ltd.	Subsidiary	Sale	(206,625)	64.77	Usual trade terms	Contract price	No Significant difference in terms for related parties	54,536	68.00	

Note A: Unrealized gain for the year was $17,979 thousand.

Note B: Realized gain for the year was $11,019 thousand.

Note C: Unrealized gain for the year was $1,260 thousand.

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note A)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	AiSC	Subsidiary	$ 327,728	1.76	$ -	-	$ 50,920	$ -
	ACN	Subsidiary	1,408,675	3.88	-	-	458,280	-
	AEU	Subsidiary	764,758	3.63	-	-	200,992	-
	AKMC	Subsidiary	275,995	5.50	-	-	171,877	-
	ANA	Subsidiary	870,711	12.63	-	-	630,014	-
ATC	The Company	Parent company	1,677,543	5.78	-	-	572,986	-
ACA	The Company	Parent company	246,013	12.89	-	-	242,516	-
Advansus Corp.	The Company	Parent company	459,774	3.49	-	-	260,551	-
	AKMC	Related enterprise	475,760	3.33	-	-	151,324	-
AKMC	ATC	Parent company	682,596	13.52	-	-	643,647	-
ANA	AKMC	Related enterprise	129,765	(Note A)	-	-	95,941	-
Advantech Corporate Investment	AdvanPOS	Related enterprise	100,000	(Note A)	-	-	-	-

Note A: Transactions involved financing activities.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars/Foreign Currency, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	$ 1,000,207	$ 993,108	29,623,834	100.00	$ 3,445,935	$ 343,368	$ 337,799	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	3,513,745	172,715	174,092	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	761,954	315,769	315,315	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	900,000	900,000	100,000,000	100.00	988,173	87,674	89,640	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	26.30	420,063	370,563	97,592	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	341,995	319,461	13,905,182	69.47	319,139	(17,239)	(11,348)	Subsidiary
	ALTC	Taichung, Taiwan	Production and sale of machine control solution	478,825	530,000	26,980,000	89.93	511,128	28,662	25,761	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	9,842	8,235	1,392	Equity-method investee (Note B)
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	781	(1,369)	(20)	Subsidiary (Note C)
	AEUH	Helmond, The Netherlands	Investment and management service	1,262,051	1,146,489	12,572,024	100.00	959,009	73,892	73,569	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	96,662	13,842	13,842	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	44,556	(7,955)	(7,955)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	145,000	15,187	15,187	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	35,428	4,286	4,286	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	234,924	56,856	56,856	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	39,616	1,794,996	80.00	60,238	25,367	20,294	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of industrial automation products	146,440	146,440	8,000,000	100.00	474,164	288,878	291,913	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	(7,286)	(4,809)	(4,809)	Subsidiary
Advantech Corporate Investment	Netstar	Taipei, Taiwan	Production and sale of industrial automation products	-	291,196	-	-	-	48,274	48,274	Subsidiary (Note B)
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	142,063	142,063	10,000,000	100.00	172,155	(10,911)	(10,911)	Subsidiary
	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	115,203	31,095	17,102	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	-	658,000	39.69	17,758	687	274	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	2,531,790	176,298	176,298	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,871,391	146,120	146,120	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,701,532	197,346	197,346	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	316,403	11,314,280	100.00	904,500	70,484	70,484	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	46,167	3,345	3,345	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	584,930	54,581	27,308	Subsidiary
	GPEG	London, UK	Design, R&D and sale of gaming computer products	-	278,641	-	-	-	(25,602)	(25,602)	Subsidiary (Note E)
GPEG	GPEG K&M Ltd.	Korea	Design, R&D and sale of gaming computer products	-	8,175	-	-	-	-	-	Equity-method investee (Note D)
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	15,334	8,731	4,453	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	1,994	797	797	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	60,425	14,786	13,982	Subsidiary
ALTC	Better Auto	BVI	General investment	264,445	264,445	8,556,096	100.00	152,495	(16,498)	(15,724)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	$ 112,453	$ (82,616)	$ (82,616)	Subsidiary
AdvanPOS	Bright Mind Limited	Samoa	General investment	US$ 200	US$ 200	200	100.00	378	(163)	(163)	Subsidiary

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

Note B: In the third quarter of 2014, the Company had a whale-minnow merger with Netstar, with the Company as the survivor entity. In addition, since Jan Hsiang had been owned by Netstar before the merger, Jan Hsiang became the Company's associate after the merger. Before the merger, Nestar recognized an investment gain of $1,006 thousand on Jan Hsiang. After the merger, the Company recognized an investment gain of $1,392 thousand on Jan Hsiang.

Note C: In the third quarter of 2014, AMX, which was formerly owned by ANA, became the Company's direct subsidiary as a result of investment restructuring. Before the restructuring, ANA recognized an investment loss of $1,349 thousand on AMX. After the restructuring, the Company recognized an investment loss of $20 thousand on AMX.

Note D: In the second quarter of 2014, GPEG disposed of its equity in GPEG K&M Ltd.

Note E: In the fourth quarter of 2014, GPEG merged with AEU, with AEU as the survivor entity.

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

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes A)	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$ 41,650 thousand (Note F)	Indirect	$ 1,180,545 (US$ 37,300 thousand)	$ -	$ -	$ 1,180,545 (US$ 37,300 thousand)	100	$ 176,298	$ 2,531,790	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$ 4,230 thousand	Indirect	168,758 (US$ 5,332 thousand)	-	-	168,758 (US$ 5,332 thousand)	100	107,296	893,156	355,493 (US$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sale of industrial automation products	US$ 8,000 thousand	Indirect	253,200 (US$ 8,000 thousand)	-	-	253,200 (US$ 8,000 thousand)	100	39,187	762,531	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100	49,740	42,732	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	60	110	13,659	-

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
$1,608,833 (US$50,832 thousand) (Note E)	$2,183,850 (US$69,000 thousand)	$13,522,838 (Note H)

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Note 35 of the financial statements and Tables 1, 5 and 6.

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

(Continued)

Note D: Remittance by ACN.

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

Note F: For AKMC, there was a capital increase of US$4,350 thousand out of earnings as of December 31, 2013.

Note G: The exchange rate was US$1.00=NT$31.65.

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

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

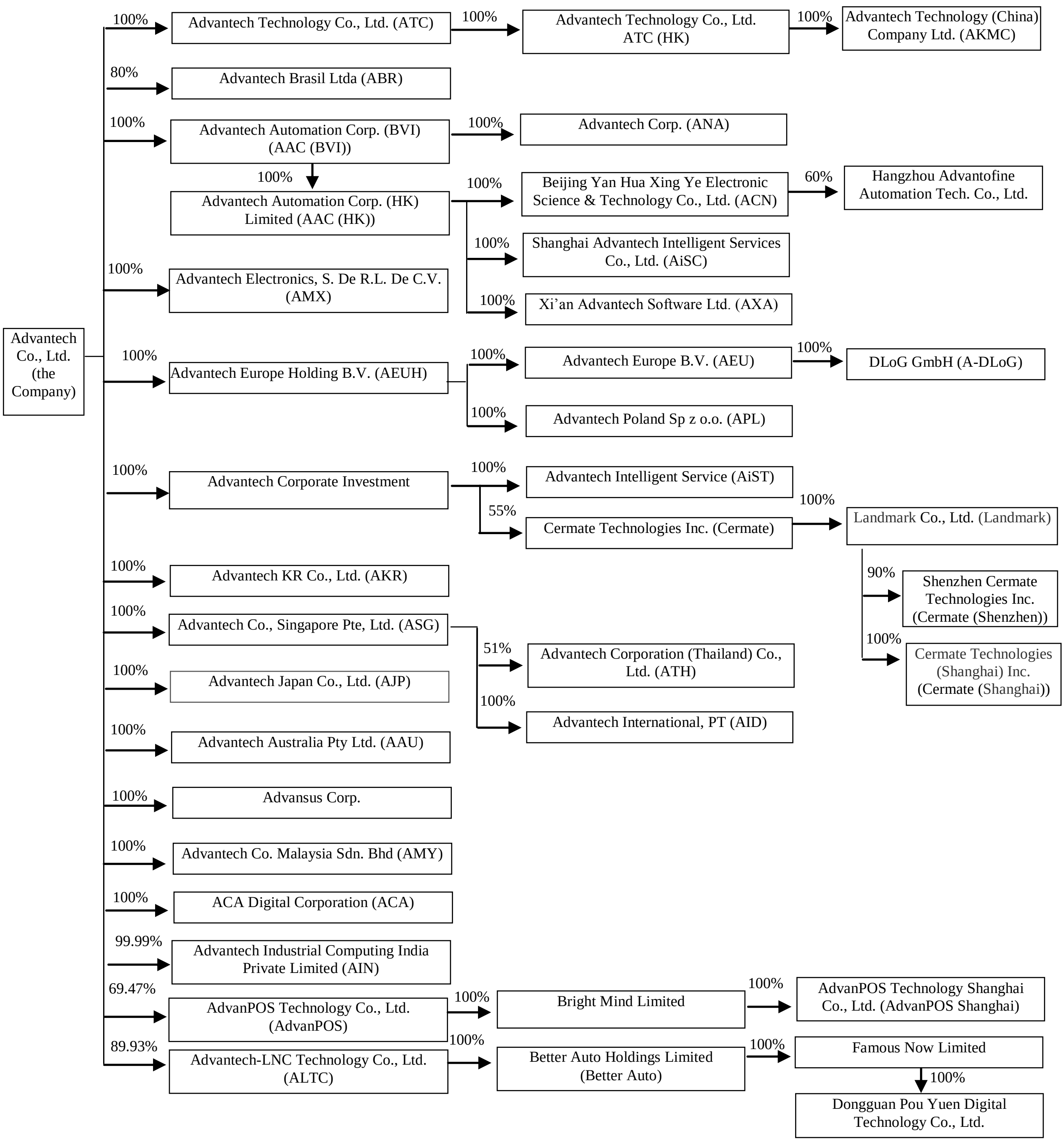
(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

ORGANIZATION CHART
DECEMBER 31, 2014 AND 2013

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



(Continued)

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

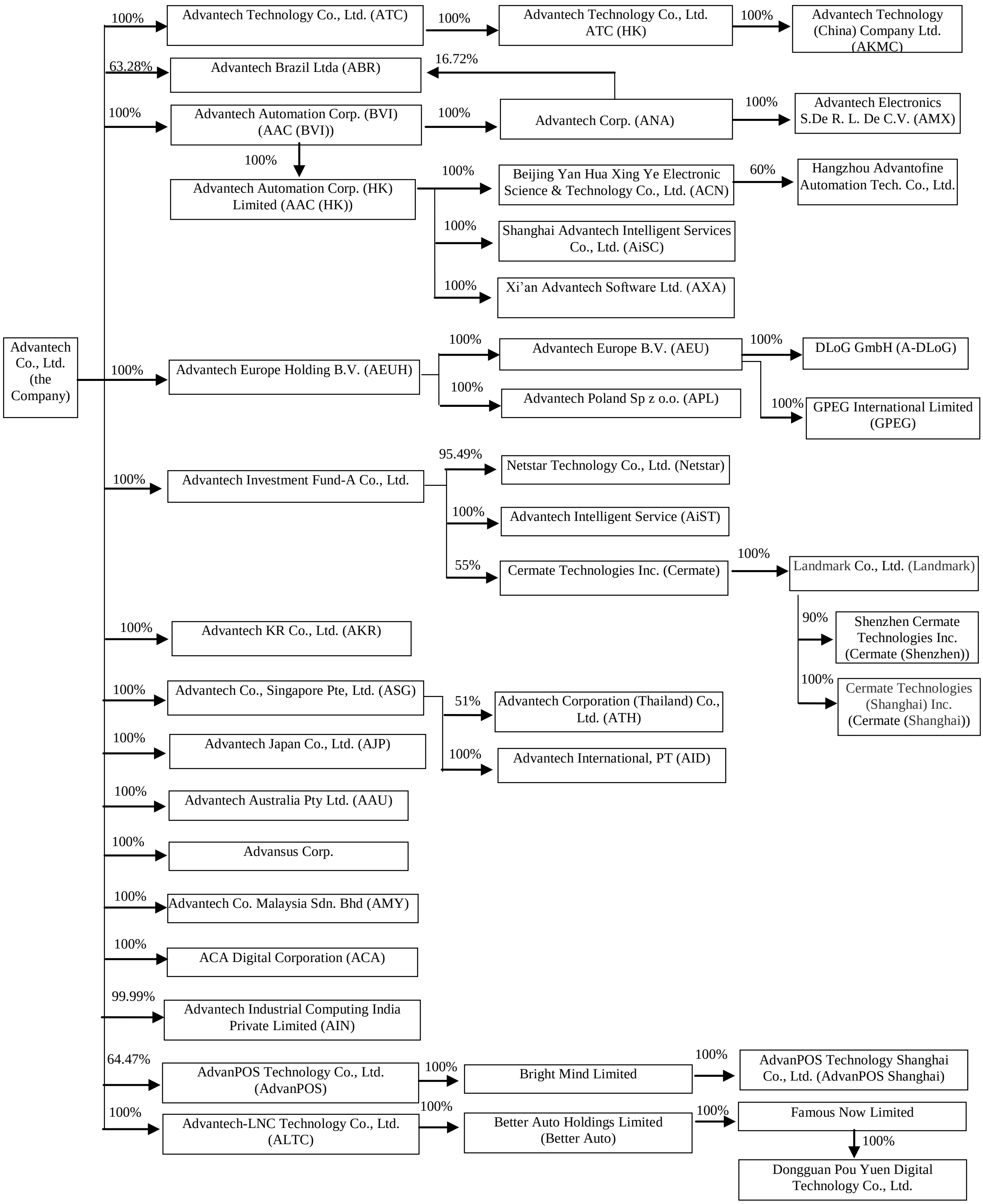


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TABLE 10

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	The Company	AAC(HK)	a.	Receivables from related parties	$ 25	45 days EOM	-
		AAU	a.	Other revenue	2,865	Normal	-
		AAU	a.	Receivables from related parties	53,810	60-90 days	-
		AAU	a.	Other receivables from related parties	1,048	60-90 days	-
		AAU	a.	Sales revenue	173,950	Normal	-
		ABR	a.	Other revenue	3,230	Normal	-
		ABR	a.	Receivables from related parties	70,306	90 days EOM	-
		ABR	a.	Other receivables from related parties	1,160	90 days EOM	-
		ABR	a.	Sales revenue	203,654	Normal	1
		ACA	a.	Receivables from related parties	441	30 days EOM	-
		ACA	a.	Other revenue	5,040	Normal	-
		ACN	a.	Receivables from related parties	1,408,675	45 days EOM	4
		ACN	a.	Sales revenue	4,060,692	Normal	11
		A-DLoG	a.	Other revenue	4,270	Normal	-
		A-DLoG	a.	Receivables from related parties	20,492	30 days after invoice date	-
		A-DLoG	a.	Sales revenue	78,669	Normal	-
		AEU	a.	Sales revenue	3,065,461	Normal	9
		AEU	a.	Other revenue	14,511	Normal	-
		AEU	a.	Receivables from related parties	764,758	30 days EOM	2
		AEU	a.	Other receivables from related parties	3,027	30 days EOM	-
		AEU	a.	Interest revenue	1,955	Normal	-
		AID	a.	Receivables from related parties	4,132	45 days after invoice date	-
		AID	a.	Sales revenue	8,444	Normal	-
		AIN	a.	Sales revenue	21,731	Normal	-
		AIN	a.	Receivables from related parties	37,918	60 days EOM	-
		AiSC	a.	Receivables from related parties	327,728	45 days EOM	1
		AiSC	a.	Other receivables from related parties	15	45 days EOM	-
		AiSC	a.	Sales revenue	1,083,110	Normal	3
		AJP	a.	Other revenue	3,960	Normal	-
		AJP	a.	Receivables from related parties	94,707	60-90 days	-
		AJP	a.	Other receivables from related parties	585	60-90 days	-
		AJP	a.	Sales revenue	417,124	Normal	1
		AKMC	a.	Receivables from related parties	275,995	45 days EOM	1
		AKMC	a.	Other receivables from related parties	5	45 days EOM	-
		AKMC	a.	Sales revenue	1,274,048	Normal	4
		AKR	a.	Other revenue	5,200	Normal	-
		AKR	a.	Receivables from related parties	12,545	60 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKR	a.	Other receivables from related parties	$ 639	60 days after invoice date	-
		AKR	a.	Sales revenue	594,749	Normal	2
		AMX	a.	Receivables from related parties	30	60 days EOM	-
		AMY	a.	Receivables from related parties	17,735	45 days EOM	-
		AMY	a.	Sales revenue	81,784	Normal	-
		AMY	a.	Other revenue	2,127	Normal	-
		ANA	a.	Other revenue	18,756	Normal	-
		ANA	a.	Receivables from related parties	870,711	45 days EOM	3
		ANA	a.	Other receivables from related parties	2,482	45 days EOM	-
		ANA	a.	Sales revenue	8,002,326	Normal	22
		APL	a.	Receivables from related parties	1,261	45 days EOM	-
		APL	a.	Sales revenue	11,287	Normal	-
		ASG	a.	Other revenue	2,846	Normal	-
		ASG	a.	Receivables from related parties	29,423	60-90 days	-
		ASG	a.	Other receivables from related parties	650	60-90 days	-
		ASG	a.	Sales revenue	166,839	Normal	-
		ATC	a.	Royalty revenue	439,707	Normal	1
		ATH	a.	Other revenue	2,184	Normal	-
		ATH	a.	Receivables from related parties	4,966	30 days after invoice date	-
		ATH	a.	Sales revenue	49,571	Normal	-
		Cermate	a.	Sales revenue	2,165	Normal	-
		Cermate.	a.	Receivables from related parties	266	30 days EOM	-
		Cermate	a.	Other revenue	720	Normal	-
		Advantech Corporate Investment	a.	Rental revenue	36	Normal	-
		Advantech Corporate Investment	a.	Receivables from related parties	3	30 days EOM	-
		AiST	a.	Receivables from related parties	6,517	30 days EOM	-
		AiST	a.	Sales revenue	83,824	Normal	-
		AiST	a.	Other revenue	960	Normal	-
		Advansus Corp.	a.	Rental revenue	1,640	Normal	-
		Advansus Corp.	a.	Receivables from related parties	4,903	60-90 days	-
		Advansus Corp.	a.	Sales revenue	38,815	Normal	-
		Netstar	a.	Sales revenue	3,944	Normal	-
		AdvanPOS	a.	Sales revenue	46,657	Normal	-
		AdvanPOS	a.	Receivables from related parties	7,367	60 days EOM	-
		ALTC	a.	Sales revenue	1,318	Normal	-
		ALTC	a.	Receivables from related parties	329	60-90 days	-
1	ACN	The Company	b.	Receivables from related parties	460	30 days EOM	-
		The Company	b.	Sales revenue	130	Normal	-
		AEU	c.	Sales revenue	22	Normal	-
		AEU	c.	Receivables from related parties	26	30 days EOM	-
		AiSC	c.	Sales revenue	165,603	Normal	-
		AiSC	c.	Receivables from related parties	18,743	Immediate payment	-
		AKMC	c.	Receivables from related parties	4,505	60-90 days	-
		AKMC	c.	Sales revenue	22,405	Normal	-
		AKR	c.	Receivables from related parties	3	45 days EOM	-
		AKR	c.	Sales revenue	212	Normal	-
		ANA	c.	Sales revenue	2,760	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ANA	c.	Receivables from related parties	$ 542	30 days EOM	-
		ASG	c.	Sales revenue	40	Normal	-
		AXA	c.	Receivables from related parties	1,962	60 days EOM	-
		A-DLoG	c.	Sales revenue	57	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Sales revenue	46,986	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Receivables from related parties	22,741	60 days after invoice date	-
2	AAU	The Company	b.	Receivables from related parties	1,988	60-90 days	-
		The Company	b.	Sales revenue	30	Normal	-
		The Company	b.	Other revenue	3,081	Normal	-
		AKMC	c.	Receivables from related parties	87	30 days after invoice date	-
		AKMC	c.	Sales revenue	2,513	Normal	-
		ANA	c.	Sales revenue	539	Normal	-
3	ABR	The Company	b.	Sales revenue	4	Normal	-
		The Company	b.	Receivables from related parties	2,122	30 days after invoice date	-
4	ACA	The Company	b.	Receivables from related parties	246,013	30 days EOM	1
		The Company	b.	Sales revenue	3,092,656	Normal	9
		ACN	c.	Receivables from related parties	5,051	60-90 days	-
		ACN	c.	Sales revenue	4,886	Normal	-
		AKMC	c.	Receivables from related parties	50,151	45 days EOM	-
		AKMC	c.	Sales revenue	1,101,969	Normal	3
		Advansus Corp.	c.	Receivables from related parties	89,859	45 days EOM	-
		Advansus Corp.	c.	Sales revenue	862,626	Normal	2
5	AEU	The Company	b.	Receivables from related parties	18	30 days after invoice date	-
		ANA	c.	Receivables from related parties	149	Immediate payment	-
		ANA	c.	Royalty revenue	2,282	Normal	-
		ATC	c.	Receivables from related parties	6,863	30 days after invoice date	-
6	AEUH	AEU	c.	Interest revenue	1,208	Normal	-
		AEU	c.	Receivables from related parties	1,199	30 days after invoice date	-
		AEU	c.	Other receivables from related parties	28,583	Financing	-
7	ALTC	The Company	b.	Receivables from related parties	1,135	60 days EOM	-
		The Company	b.	Rental revenue	552	Normal	-
		The Company	b.	Sales revenue	10,257	Normal	-
		Better Auto	c.	Royalty revenue	92	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Advanced receipts	184	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Sales revenue	206,625	Normal	1
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Receivables from related parties	54,536	90 days EOM	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
8	AiSC	The Company	b.	Receivables from related parties	$ 38	45 days EOM	-
		The Company	b.	Sales revenue	5,411	Normal	-
		AAC(HK)	c.	Receivables from related parties	4,048	90 days	-
		ACA	c.	Receivables from related parties	8	60 days after invoice date	-
		ACA	c.	Sales revenue	12,438	Normal	-
		ACN	c.	Receivables from related parties	27,702	Immediate payment	-
		ACN	c.	Rental revenue	2,551	Normal	-
		ACN	c.	Sales revenue	90,498	Normal	-
		AEU	c.	Receivables from related parties	25	Immediate payment	-
		AKMC	c.	Sales revenue	159,766	Normal	-
		AKMC	c.	Receivables from related parties	38,630	30 days EOM	-
		ANA	c.	Sales revenue	729	Normal	-
		ASG	c.	Sales revenue	411	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Sales revenue	6,987	Normal	-
9	AJP	The Company	b.	Receivables from related parties	2,617	60-90 days	-
		The Company	b.	Sales revenue	262	Normal	-
		ACN	c.	Receivables from related parties	9	45 days EOM	-
		ACN	c.	Sales revenue	10	Normal	-
10	AKMC	ACN	c.	Rental revenue	4,403	Normal	-
		ACN	c.	Sales revenue	226,989	Normal	1
		ACN	c.	Receivables from related parties	45,896	60-90 days	-
		AEU	c.	Sales revenue	339	Normal	-
		AEU	c.	Receivables from related parties	187	30 days after invoice date	-
		AiSC	c.	Sales revenue	169,218	Normal	-
		AiSC	c.	Receivables from related parties	32,051	Immediate payment	-
		AKR	c.	Sales revenue	67	Normal	-
		ANA	c.	Sales revenue	983	Normal	-
		ANA	c.	Receivables from related parties	137	60-90 days	-
		ATC	c.	Receivables from related parties	682,596	60-90 days	2
		ATC	c.	Sales revenue	8,862,230	Normal	25
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Receivables from related parties	50	60 days end of next month	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Sales revenue	47	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Receivables from related parties	57	60-90 days	-
		Advansus Corp.	c.	Receivables from related parties	551	Immediate payment	-
		Advansus Corp.	c.	Sales revenue	11,686	Normal	-
		AdvanPOS	c.	Sales revenue	2,123	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Sales revenue	14	Normal	-
		Netstar	c.	Sales revenue	126,790	Normal	-
		AdvanPOS	c.	Receivables from related parties	1,234	30 days EOM	-
11	AKR	The Company	b.	Receivables from related parties	127	90 days EOM	-
		The Company	b.	Sales revenue	671	Normal	-
		AKMC	c.	Sales revenue	82	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKMC	c.	Receivables from related parties	$ 82	30 days after invoice date	-
		ANA	c.	Receivables from related parties	156	45 days after invoice date	-
		ANA	c.	Sales revenue	280	Normal	-
12	AMY	ASG	c.	Receivables from related parties	36	30 days EOM	-
		ASG	c.	Other revenue	448	Normal	-
		ATH	c.	Other revenue	4	Normal	-
13	ANA	The Company	b.	Receivables from related parties	26,948	45 days EOM	-
		The Company	b.	Sales revenue	37,686	Normal	-
		AAU	c.	Sales revenue	149	Normal	-
		AAU	c.	Receivables from related parties	27	60 days after invoice date	-
		ACA	c.	Sales revenue	111,294	Normal	-
		ACA	c.	Receivables from related parties	25,448	60 days EOM	-
		AEU	c.	Sales revenue	71,411	Normal	-
		AEU	c.	Receivables from related parties	112	60-90 days	-
		AKMC	c.	Interest revenue	2,682	Normal	-
		AKMC	c.	Receivables from related parties	1,600	30 days EOM, Financing	-
		AKMC	c.	Other receivables from related parties	129,765	Financing	-
		AKMC	c.	Sales revenue	8,102	Normal	-
		AMY	c.	Sales revenue	4	Normal	-
		ASG	c.	Sales revenue	99	Normal	-
		ATH	c.	Sales revenue	106	Normal	-
		Advansus Corp.	c.	Sales revenue	138	Normal	-
		AdvanPOS	c.	Sales revenue	21	Normal	-
14	APL	The Company	b.	Receivables from related parties	788	30 days after invoice date	-
		The Company	b.	Sales revenue	59	Normal	-
		AEU	c.	commission revenue	8,500	Normal	-
		AEU	c.	Receivables from related parties	30,459	30 days after invoice date	-
		AEU	c.	Sales revenue	46,478	Normal	-
		AKMC	c.	Receivables from related parties	3	60 days end of next month	-
15	ASG	The Company	b.	Receivables from related parties	28	60-90 days	-
		The Company	b.	Sales revenue	1,268	Normal	-
		The Company	b.	Other revenue	9,837	Normal	-
		AAU	c.	Receivables from related parties	9	45 days after invoice date	-
		AID	c.	Sales revenue	769	Normal	-
		AID	c.	Other revenue	58	Normal	-
		AMY	c.	Other revenue	4	Normal	-
		AMY	c.	Receivables from related parties	617	30 days EOM	-
		AMY	c.	Sales revenue	7,485	Normal	-
		ANA	c.	Sales revenue	177	Normal	-
		ATH	c.	Sales revenue	4,961	Normal	-
		ATH	c.	Other revenue	3,763	Normal	-
		ATH	c.	Receivables from related parties	265	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
16	ATC	The Company	b.	Receivables from related parties	$ 1,677,543	60 days EOM	5
		The Company	b.	Sales revenue	9,491,663	Normal	27
		AKMC	c.	Receivables from related parties	17,908	60-90 days	-
		AKMC	c.	Sales revenue	67,630	Normal	-
17	AXA	ACN	c.	Sales revenue	91,187	Normal	-
		AiSC	c.	Sales revenue	14,268	Normal	-
18	A-DLoG	The Company	b.	Receivables from related parties	7,583	30 days after invoice date	-
		The Company	b.	Sales revenue	36,143	Normal	-
		AAU	c.	Receivables from related parties	25	30 days after invoice date	-
		AAU	c.	Sales revenue	194	Normal	-
		AEU	c.	Sales revenue	1,126	Normal	-
		AEU	c.	Receivables from related parties	422	30 days upon delivery	-
		AKR	c.	Sales revenue	1,143	Normal	-
		ANA	c.	Sales revenue	443	Normal	-
		ASG	c.	Sales revenue	1,383	Normal	-
19	AEU	The Company	b.	Receivables from related parties	1,044	30 days EOM	-
		The Company	b.	Sales revenue	1,619	Normal	-
		AAU	c.	Sales revenue	107	Normal	-
		ACN	c.	Receivables from related parties	128	30 days after invoice date	-
		A-DLoG	c.	Receivables from related parties	593	30 days upon delivery	-
		A-DLoG	c.	Sales revenue	15,507	Normal	-
		AKMC	c.	Receivables from related parties	518	30 days EOM	-
		AKR	c.	Sales revenue	51	Normal	-
		AMY	c.	Sales revenue	34	Normal	-
		ANA	c.	Sales revenue	49,050	Normal	-
		ANA	c.	Receivables from related parties	7,578	30 days after invoice date	-
		APL	c.	Receivables from related parties	60	30 days EOM	-
		APL	c.	Sales revenue	1,498	Normal	-
		ATC	c.	Receivables from related parties	442	30 days after invoice date	-
20	Cermate (Shenzhen)	ACN	c.	Receivables from related parties	2	Cash on delivery	-
		ACN	c.	Sales revenue	13	Normal	-
		AKMC	c.	Receivables from related parties	2,505	40 days EOM	-
		AKMC	c.	Sales revenue	36,404	Normal	-
		Cermate (Shanghai)	c.	Sales revenue	27,883	Normal	-
		Cermate	c.	Sales revenue	25,121	Normal	-
		Cermate	c.	Receivables from related parties	1,624	60 days EOM	-
21	Cermate	The Company	b.	Receivables from related parties	248	30-60 days	-
		The Company	b.	Sales revenue	7,409	Normal	-
		Cermate (Shenzhen)	c.	Receivables from related parties	13,141	30 days EOM	-
		Cermate (Shenzhen)	c.	Sales revenue	83,232	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
22	Cermate (Shanghai)	Cermate (Shenzhen)	c.	Advanced receipt	$ 9,128	Financing	-
		Cermate (Shenzhen)	c.	Sales revenue	766	Normal	-
23	Advansus Corp.	The Company	b.	Receivables from related parties	459,774	60-90 days	1
		The Company	b.	Sales revenue	1,411,676	Normal	4
		ACA	c.	Receivables from related parties	15,680	30 days EOM	-
		ACA	c.	Sales revenue	226,064	Normal	1
		AKMC	c.	Receivables from related parties	475,760	60-90 days	2
		AKMC	c.	Sales revenue	1,346,097	Normal	4
		AKR	c.	Receivables from related parties	7,757	60-90 days	-
		AKR	c.	Sales revenue	136,379	Normal	-
		ANA	c.	Sales revenue	129	Normal	-
		AdvanPOS	c.	Receivables from related parties	618	60 days EOM	-
		AdvanPOS	c.	Sales revenue	3,372	Normal	-
24	Netstar	The Company	b.	Sales revenue	64,168	Normal	-
		AJP	c.	Sales revenue	1,015	Normal	-
		AKMC	c.	Sales revenue	3,018	Normal	-
		ANA	c.	Sales revenue	1,887	Normal	-
25	AAC(HK)	The Company	b.	Receivables from related parties	760	45 days EOM	-
		The Company	b.	Other revenue	4,357	Normal	-
26	Advantech Corporate Investment	ALTC	c.	Interest revenue	31	Normal	-
		AdvanPOS	c.	Receivables from related parties	100,000	Financing	-
		AdvanPOS	c.	Interest revenue	1,150	Normal	-
27	AIN	The Company	b.	Receivables from related parties	485	60 days EOM	-
		The Company	b.	Other revenue	764	Normal	-
28	AID	The Company	b.	Other revenue	1,483	Normal	-
		The Company	b.	Receivables from related parties	17	60 days EOM	-
		ASG	c.	Other revenue	1,322	Normal	-
29	AiST	The Company	b.	Receivables from related parties	2,160	60 days EOM	-
		The Company	b.	Sales revenue	2,536	Normal	-
		ACN	c.	Sales revenue	247	Normal	-
		ACN	c.	Receivables from related parties	250	90 days EOM	-
30	AMX	The Company	b.	Receivables from related parties	298	Immediate payment	-
		The Company	b.	Other revenue	3,397	Normal	-
31	AdvanPOS	The Company	b.	Receivables from related parties	196	60 days EOM	-
		The Company	b.	Sales revenue	966	Normal	-
		AiSC	c.	Sales revenue	12,906	Normal	-
		AiSC	c.	Receivables from related parties	1,445	30 days after invoice date	-
		AKMC	c.	Receivables from related parties	12	30 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKMC	c.	Sales revenue	$ 73	Normal	-
		ATH	c.	Receivables from related parties	97	30 days after invoice date	-
		ATH	c.	Sales revenue	1,349	Normal	-
		Cermate	c.	Sales revenue	6	Normal	-
		Cermate	c.	Receivables from related parties	6	30 days EOM	-
		AiST	c.	Sales revenue	310	Normal	-
		AiST	c.	Other revenue	2	Normal	-
		AdvanPOS	c.	Receivables from related parties	2,634	30 days after invoice date	-
32	Better Auto	Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Receivables from related parties	23,106	Financing	-
33	AdvanPOS Shanghai	AdvanPOS	c.	Sales revenue	3,213	Normal	-
34	Dongguan Pou Yuen Digital Technology Co., Ltd.	ALTC	c.	Receivables from related parties	1,642	90 days EOM	-
35	GPEG	AEU	c.	Sales revenue	4,862	Normal	-
		AEU	c.	Royalty revenue	1,195	Normal	-

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

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

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

a. From the parent company to its subsidiary.
b. From the subsidiary to its parent company.
c. Between subsidiaries.

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2014, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2014.

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

(Concluded)