Advantech Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. (the "Company") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as stated in Note 11 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2014 and 2013 of some companies in which the Company had investments accounted for by the equity method. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the investees' amounts included herein, is based solely on the reports of the other auditors. The carrying amounts of these investments were 4.95% (NT$1,460,624 thousand) and 8.11% (NT$2,053,667 thousand) of the Company's total assets as of December 31, 2014 and 2013, respectively. Also, the shares of profit and loss of subsidiaries and associates accounted for using the equity method were 3.13% (NT$176,571 thousand) and 2.63% (NT$126,925 thousand) of the Company's profit before income tax 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of December 31, 2014 and 2013, and its financial performance and cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The accompanying schedules of major accounting items of Advantech Co., Ltd. as of and for the year ended December 31, 2014 are presented for the purpose of additional analysis. Such schedules have been subjected to the auditing procedures described in the second paragraph. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to in the first paragraph.

March 31, 2015

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
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)	$ 1,049,397	4	$ 1,035,205	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	14,879	-	2,723	-
Available-for-sale financial assets - current (Notes 4, 8 and 26)	1,717,756	6	1,243,860	5
Notes receivable (Notes 4, 9 and 27)	45,319	-	31,766	-
Trade receivables (Notes 4 and 9)	993,742	3	844,825	3
Trade receivables from related parties (Notes 4 and 27)	4,014,411	14	3,105,061	12
Other receivables	86,064	-	86,288	-
Other receivables from related parties (Note 27)	15,641	-	151,088	1
Inventories (Notes 4 and 10)	1,404,202	5	1,277,072	5
Other current assets (Note 28)	70,298	-	136,208	1
Total current assets	9,411,709	32	7,914,096	31
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 26)	2,385,937	8	1,829,292	7
Investments accounted for using the equity method (Notes 4 and 11)	12,020,741	41	10,752,532	43
Property, plant and equipment (Notes 4 and 12)	5,354,959	18	4,608,115	18
Goodwill (Notes 4 and 13)	111,599	1	-	-
Other intangible assets (Note 4)	86,240	-	90,729	1
Deferred tax assets (Notes 4 and 19)	81,941	-	82,785	-
Prepayments for business facilities	14,972	-	7,354	-
Other noncurrent assets	11,024	-	25,975	-
Total noncurrent assets	20,067,413	68	17,396,782	69
TOTAL	$ 29,479,122	100	$ 25,310,878	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 26)	$ 8,698	-	$ 23,722	-
Trade payables	777,932	3	576,396	2
Trade payables to related parties (Note 27)	2,433,936	8	2,077,386	8
Other payables (Note 15)	2,070,485	7	1,855,568	8
Current tax liabilities (Notes 4 and 19)	650,399	2	601,952	3
Short-term warranty provision (Note 4)	36,119	-	33,413	-
Current portion of long-term borrowings and bonds payable (Notes 4, 14 and 26)	-	-	18,348	-
Other current liabilities	61,224	-	65,829	-
Total current liabilities	6,038,793	20	5,252,614	21
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	889,049	3	617,497	2
Accrued pension liabilities (Notes 4 and 16)	159,204	1	154,184	1
Credit balance of investments accounted for using the equity method (Notes 4 and 11)	7,286	-	1,053	-
Other noncurrent liabilities	33,726	-	27,231	-
Total noncurrent liabilities	1,089,265	4	799,965	3
Total liabilities	7,128,058	24	6,052,579	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE EQUITY				
Share capital				
Ordinary shares	6,301,031	22	5,669,249	22
Advance receipts for share capital	11,060	-	24,751	-
Total share capital	6,312,091	22	5,694,000	22
Capital surplus	5,306,958	18	4,995,635	20
Retained earnings				
Legal reserve	3,472,064	12	3,061,424	12
Unappropriated earnings	6,358,318	21	5,452,733	22
Total retained earnings	9,830,382	33	8,514,157	34
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	22,351,064	76	19,258,299	76
TOTAL	$ 29,479,122	100	$ 25,310,878	100

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

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

ADVANTECH CO., LTD.

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 27)				
Sales	$ 25,839,025	98	$ 21,581,636	98
Other operating revenue	458,113	2	435,961	2
Total operating revenue	26,297,138	100	22,017,597	100
OPERATING COSTS (Notes 10, 18 and 27)	19,267,227	73	15,979,891	72
GROSS PROFIT	7,029,911	27	6,037,706	28
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(240,811)	(1)	(246,869)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	246,869	1	256,306	1
REALIZED GROSS PROFIT	7,035,969	27	6,047,143	28
OPERATING EXPENSES (Notes 18 and 27)				
Selling and marketing expenses	634,611	2	524,228	3
General and administrative expenses	709,719	3	684,986	3
Research and development expenses	2,375,816	9	2,008,245	9
Total operating expenses	3,720,146	14	3,217,459	15
OPERATING PROFIT	3,315,823	13	2,829,684	13
NONOPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,493,406	6	1,267,757	6
Interest income (Notes 4 and 27)	20,510	-	4,862	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	59,702	-	(433)	-
Gains on disposal of investments (Notes 4 and 17)	43,163	-	69,180	-
Foreign exchange gains, net (Notes 4 and 18)	53,744	-	102,188	-
Gains on financial instruments at fair value through profit or loss (Note 4)	60,072	-	34,883	-
Dividend income (Note 4)	124,466	1	116,875	1
Other income (Notes 8 and 27)	528,395	2	477,126	2
Finance costs (Note 18)	(421)	-	(2,768)	-

(Continued)

ADVANTECH CO., LTD.

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**	**%**
Losses on financial instruments at fair value through profit or loss (Note 4)	$ (49,171)	-	$ (76,812)	-
Other losses	(17)	-	(44)	-
Total nonoperating income	2,333,849	9	1,992,814	9
PROFIT BEFORE INCOME TAX	5,649,672	22	4,822,498	22
INCOME TAX EXPENSE (Notes 4 and 19)	741,890	3	716,101	3
NET PROFIT FOR THE YEAR	4,907,782	19	4,106,397	19
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translation (Notes 4 and 17)	246,470	1	278,510	1
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 17)	659,064	2	(298,007)	(1)
Actuarial loss on defined benefit plan (Note 16)	(5,150)	-	(11,468)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4 and 17)	(15,803)	-	57,862	-
Income tax relating to the components of other comprehensive income (Notes 4, 17 and 19)	(41,792)	-	(46,058)	-
Other comprehensive income (loss) for the year, net of income tax	842,789	3	(19,161)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,750,571	22	$ 4,087,236	19
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	$ 7.80		$ 6.59	
Diluted	$ 7.77		$ 6.55	

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

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

ADVANTECH CO., LTD.

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

	Issued Capital (Notes 17 and 21)				Retained Earnings (Notes 4, 17 and 23)				Other Equity (Notes 4 and 17)		
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 4, 17 and 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 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
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	-	(545,303)	545,303	-	-	-	-
Appropriation of the 2012 earnings											
Legal reserve	-	-	-	-	346,239	-	(346,239)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(2,763,586)	(2,763,586)	-	-	(2,763,586)
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	-	-	-	(32,608)	(32,608)	-	-	(32,608)
Changes in percentage of ownership interest in subsidiaries	-	-	-	2,552	-	-	-	-	-	-	2,552
Issue of ordinary shares for employee share options	15,590	15,910	31,500	123,274	-	-	-	-	-	-	154,774
Compensation cost recognized for employee share options	-	-	-	19,913	-	-	-	-	-	-	19,913
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	1,560	-	-	-	-	-	-	1,560
Convertible bonds converted to ordinary shares	13,688	8,841	22,529	146,551	-	-	-	-	-	-	169,080
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	4,106,397	4,106,397	-	-	4,106,397
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(9,069)	(9,069)	234,386	(244,478)	(19,161)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	4,097,328	4,097,328	234,386	(244,478)	4,087,236
BALANCE AT DECEMBER 31, 2013	5,669,249	24,751	5,694,000	4,995,635	3,061,424	-	5,452,733	8,514,157	130,041	(75,534)	19,258,299
Appropriation of the 2013 earnings											
Legal reserve	-	-	-	-	410,640	-	(410,640)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(3,017,820)	(3,017,820)	-	-	(3,017,820)
Share dividends distributed by the Company	569,400	-	569,400	-	-	-	(569,400)	(569,400)	-	-	-
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	11,457	-	-	-	-	-	-	11,457
Changes in percentage of ownership interest in subsidiaries	-	-	-	(1,873)	-	-	-	-	-	-	(1,873)
Issue of ordinary shares for employee share options	51,410	(4,850)	46,560	167,525	-	-	-	-	-	-	214,085
Compensation cost recognized for employee share options	-	-	-	111,393	-	-	-	-	-	-	111,393
Convertible bonds converted to ordinary shares	10,972	(8,841)	2,131	13,855	-	-	-	-	-	-	15,986
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	8,966	-	-	-	-	-	-	8,966
Net profit for the year ended December 31, 2014	-	-	-	-	-	-	4,907,782	4,907,782	-	-	4,907,782
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	(4,337)	(4,337)	208,315	638,811	842,789
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	4,903,445	4,903,445	208,315	638,811	5,750,571
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

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

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

ADVANTECH CO., LTD.

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	$ 5,649,672	$ 4,822,498
Adjustments for:		
Depreciation expenses	202,173	170,842
Amortization expenses	61,530	69,640
Recognition of trade receivables provisions	8,703	9,374
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(10,901)	41,929
Finance costs	421	2,768
Interest income	(20,510)	(4,862)
Dividend income	(124,466)	(116,875)
Compensation cost of employee share options	111,393	19,913
Share of profit of subsidiaries and associates accounted for using the equity method	(1,493,406)	(1,267,757)
Loss (gain) on disposal of property, plant and equipment	(59,702)	433
Gain on disposal of investments	(43,163)	(69,180)
Loss on bond redemption	17	-
Realized gain on the transactions with subsidiaries and associates	(6,058)	(9,437)
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(16,279)	(13,671)
Decrease (increase) in notes receivable	(10,454)	54,419
Increase in trade receivables	(132,090)	(1,121)
Increase in trade receivables - related parties	(909,350)	(315,746)
Decrease (increase) in other receivables	45,967	(24,139)
Decrease (increase) in other receivable due from related parties	135,447	(134,982)
Decrease (increase) in inventories	(127,130)	134,372
Decrease (increase) in other current assets	55,529	(8,924)
Increase in trade payables	201,512	75,181
Increase in trade payables to related parties	333,229	650,115
Increase in other payables	201,004	538,577
Decrease in accrued pension liabilities	(2,041)	(4,159)
Decrease in other current liabilities	(5,225)	(11,307)
Increase in other noncurrent liabilities	6,126	6,678
Cash generated from operations	4,051,948	4,614,579
Interest received	20,448	4,089
Dividend received	124,466	116,875
Income tax paid	(464,022)	(399,091)
Net cash generated from operating activities	3,732,840	4,336,452
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(3,423,628)	(4,262,176)
Proceeds on sale of available-for-sale financial assets	3,284,544	3,852,092
Acquisition of investments accounted for using equity method	(149,643)	-

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ADVANTECH CO., LTD.

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

	2014	2013
Proceeds from disposal of investments accounted for using the equity method	$ 51,175	$ -
Net cash outflow on acquisition of subsidiaries	-	(1,093,895)
Proceeds from disposal of subsidiaries	-	50,185
Proceeds of the capital reduction of investments accounted for using the equity method	-	199,940
Payments for property, plant and equipment	(875,370)	(765,382)
Proceeds from disposal of property, plant and equipment	127,362	231
Decrease (increase) in refundable deposits	15,009	(18,181)
Payments for intangible assets	(47,706)	(72,862)
Net cash outflows from business combination	(296,297)	-
Increase in prepayments for equipment	(87,760)	(45,822)
Dividends received from subsidiaries and associates	489,682	375,507
Net cash used in investing activities	(912,632)	(1,780,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bond payables	(2,400)	-
Increase in guarantee deposits received	119	-
Cash dividends paid	(3,017,820)	(2,763,586)
Exercise of employee share options	214,085	154,774
Net cash used in financing activities	(2,806,016)	(2,608,812)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,192	(52,723)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,035,205	1,087,928
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,049,397	$ 1,035,205

The accompanying notes are an integral part of the 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, 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 financial statements were approved by the board of directors and authorized for issue on March 31, 2015.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the Financial Supervisory Commission (FSC) and the related amendments to the Guidelines 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 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 Guidelines Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's accounting policies:

1) IFRS 12 "Disclosure of Interests in Other Entities"

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

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

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

28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

3) IFRS 13 “Fair Value Measurement”

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

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

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

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

The Company will retrospectively apply the above amendments starting from 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 share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method.

However, the application of the above amendments will not 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.

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence 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 financial statements for the year ended December 31, 2015, the Company 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 anticipated impact of the net interest method would cause an increase of $161 thousand in pension costs and a decrease of $161 thousand in actuarial loss on defined benefit plans for the year ended December 31, 2014.

6) 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.

7) 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” were amended in this annual improvement.

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 balance sheet as of January 1, 2014. In preparing the financial statements for the year ended December 31, 2015, the Company would present the 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 Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the 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)
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
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

Note 3: 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 Company'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 Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

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

   b) For debt instruments, if they are held within a business model whose objective is achieved by both 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 Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

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

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 Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

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

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

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

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

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

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 financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its financial statements, the Company 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 Company should consider the understandability and comparability of its financial statements to determine a systematic order in presenting its footnotes.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

When preparing the financial statements, the Company uses the equity method in measuring investments in subsidiaries and associates. In order to agree with the amount of net income, other comprehensive income, and equity attributable to shareholders of the Company in the consolidated financial statements, the differences of the accounting treatment between the basis and the consolidated basis were made to investments accounted for using equity method, share of profits of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates, and related equity items in the financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Business combinations

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

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

e. Foreign currencies

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

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company'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, 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.

f. Inventories

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

g. Investments accounted for using the equity method

Investments in subsidiaries and associates are accounted for by the equity method.

1) Investment in subsidiaries

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

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

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

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

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

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

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

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

2) Investment in associates

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

The results and assets and liabilities of associates are incorporated in these 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

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

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

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

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

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

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

h. 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.

i. Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Company'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 Company 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

j. 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 Company 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. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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.

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

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 Company's right to receive the dividends is established.

iii. Loans and receivables

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

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 26. 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 non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

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

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

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This 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 Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

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

m. 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 Company's obligation by the management of the Company.

n. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

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

3) Royalties

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

4) Dividend and interest income

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

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

o. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as expenses in the periods in which they are incurred.

p. Retirement benefit costs

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

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

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

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

q. Employee share options

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

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

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

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

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

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

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

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

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

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

c. Write-down of inventory

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

d. Impairment of investment in the associate

The Company immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including growth rate of sale and capacity of production facilities estimated by the associate's management. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash on hand	$ 2,671	$ 1,546
Checking accounts and demand deposits	863,414	596,091
Time deposits with original maturities less than three months	183,312	437,568
	$ 1,049,397	$ 1,035,205

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	2013
Financial assets at held for trading - current		
Forward exchange contracts	$ 14,879	$ 2,723
Financial liabilities held for trading - current		
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	EUR/NTD	2015.01-2015.04	EUR10,500/NTD415,900
	EUR/USD	2015.01-2015.04	EUR1,000/USD1,263
	USD/NTD	2015.01-2015.04	USD1,263/NTD38,634
	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.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2014		2013	
	Current	Noncurrent	Current	Noncurrent
Domestic investments				
Mutual funds	$ 1,717,756	$ -	$ 1,243,860	$ -
Quoted shares				
ASUSTek Computer Inc.	-	1,815,473	-	1,404,176
Pegatron Corp.	-	570,464	-	309,334
Chunghwa Telecom Co., Ltd.	-	-	-	115,782
	$ 1,717,756	$ 2,385,937	$ 1,243,860	$ 1,829,292

For its securities borrowing and lending transactions, the Company placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. As of December 31, 2014 and 2013, the stocks held in trust amounted to $1,792,050 thousand and $1,414,163 thousand, respectively. Refer to Table 3 for more information. On the transactions, the Company recognized gains of $144 thousand and $1,631 thousand during the years ended December 31, 2014 and 2013, respectively. These gains were recorded under other nonoperating income.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2014	2013
Notes receivable	$ 45,319	$ 31,766
Trade receivables	$ 1,016,874	$ 858,508
Less: Allowance for impairment loss	(23,132)	(13,683)
	$ 993,742	$ 844,825

a. Trade receivables

The average credit period on sales of goods was 30 to 90 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 1 year because historical experience had been that receivables that are past due beyond 1 year were not recoverable. Allowance for impairment loss were recognized against trade receivables between 90 days and 1 year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

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

	December 31	
	2014	2013
31 to 60 days	$ 4,342	$ 4,626
61 to 90 days	2,188	7,115
	$ 6,530	$ 11,741

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

The movements 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	$ -	$ 4,729
Add (less): Impairment losses recognized (reversed) on receivables	(1,579)	10,953	9,374
Less: Amounts written off during the year as uncollectible	-	(420)	(420)
Balance at December 31, 2013	$ 3,150	$ 10,533	$ 13,683
Balance at January 1, 2014	$ 3,150	$ 10,533	$ 13,683
Add (less): Impairment losses recognized (reversed) on receivables	16,652	(7,949)	8,703
Business combination	-	746	746
Balance at December 31, 2014	$ 19,802	$ 3,330	$ 23,132

10. INVENTORIES

	December 31	
	2014	2013
Finished goods	$ 539,378	$ 470,649
Work in process	321,035	222,680
Raw materials	518,427	536,120
Inventories in transit	25,362	47,623
	$ 1,404,202	$ 1,277,072

The allowance for inventory valuation losses for the years ended December 31, 2014 and 2013 were $92,772 thousand and $98,236 thousand, respectively

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was $19,267,227 thousand and $15,979,891 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2014	2013
Investments in subsidiaries	$ 11,590,836	$ 10,388,879
Investments in associates	429,905	363,653
	$ 12,020,741	$ 10,752,532

a. Investments in subsidiaries

	December 31	
	2014	2013
Unlisted companies		
Advantech Technology Co., Ltd. (ATC)	$ 3,513,745	$ 3,190,050
Advantech Automation Corp. (BVI) (AAC (BVI))	3,445,935	2,892,575
Advantech Corporate Investment	988,173	1,022,471
Advantech Europe Holding B.V. (AEUH)	959,009	855,422
Advansus Corp.	761,954	621,497
Advantech-LNC Technology Co., Ltd. (ALTC)	511,128	508,396
ACA Digital Corp. (ACA)	474,164	397,837
AdvanPOS Technology Co., Ltd. (AdvanPOS)	319,139	320,720
Advantech KR Co., Ltd. (AKR)	234,924	216,669
Advantech Japan Co., Ltd. (AJP)	145,000	142,908
Advantech Co. Singapore Pte, Ltd. (ASG)	96,662	92,054
Advantech Brasil Ltda. (ABR)	60,238	40,194
Advantech Australia Pty Ltd. (AAU)	44,556	51,307
Advantech Co. Malaysia Sdn. Bhd. (AMY)	35,428	36,779
Advantech Electronics, S. De R. L. Dec. V. (AMX)	781	-
Advantech Industrial Computing India Private Limited (AIN)	(7,286)	(1,053)
	11,583,550	10,387,826
Add: Credit balances of investments accounted for using the equity method	7,286	1,053
	$ 11,590,836	$ 10,388,879

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

	December 31	
	2014	2013
AAC (BVI)	100.00%	100.00%
ATC	100.00%	100.00%
Advansus Corp.	100.00%	100.00%
Advantech Corporate Investment	100.00%	100.00%
AEUH	100.00%	100.00%
ASG	100.00%	100.00%
AAU	100.00%	100.00%
AJP	100.00%	100.00%
AMY	100.00%	100.00%

(Continued)

	December 31	
	2014	**2013**
AKR	100.00%	100.00%
ABR	80.00%	63.28%
ACA	100.00%	100.00%
AIN	99.99%	99.99%
AdvanPOS (Notes 22 and 23)	69.47%	64.47%
ALTC (Notes 22 and 23)	89.93%	100.00%
AMX	100.00%	100.00%

(Concluded)

Refer to Note 25 of the financial reports for 2013 for the disclosure of the acquisition of AdvanPOS and ALTC. Refer to Note 31 for information on indirect subsidiaries.

The financial statements used as basis for calculating investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments have been audited, except those of AIN and AMX. Management believes there would have been no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income had the financial statements of AIN and AMX been audited.

Financial statements of the following subsidiaries had been audited by other independent CPAs: AEUH and its subsidiaries except for AEU; AJP; AAU; ASG; AMY and ABR. In addition, the financial statements as of and for the year ended December 31, 2013 of AdvanPOS and GPEG International Limited (GPEG), which was acquired by the Company in 2013, had been audited by other CPAs.

b. Investments in associates

	December 31	
	2014	**2013**
Listed companies		
Axiomtek Co., Ltd.	$ 420,063	$ 363,653
Unlisted companies		
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	9,842	-
	$ 429,905	$ 363,653

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

	December 31	
Name of Associate	**2014**	**2013**
Axiomtek Co., Ltd.	26.30%	26.45%
Jan Hsiang	28.50%	-

The Company merged with Netstar in July 2014, with the Company as the survivor entity. Since Netstar had 28.5% equity in Jan Hsiang, the latter became the Company's associate after the merger.

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

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

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

	December 31 2014	December 31 2013
Total assets	$ 2,131,535	$ 1,843,639
Total liabilities	$ 536,139	$ 478,582

	For the Year Ended December 31 2014	For the Year Ended December 31 2013
Revenue	$ 2,495,263	$ 2,003,259
Profit for the year	$ 378,798	$ 268,817
Other comprehensive income	$ 760	$ 12,330
Company's share of profits and other comprehensive income of associates for the year	$ 128,606	$ 68,249

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

12. PROPERTY, PLANT, AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
Balance at January 1, 2013	$ 2,596,325	$ 1,210,305	$ 598,602	$ 153,567	$ 320,671	$ 129,979	$ 5,009,449
Additions	-	-	16,111	21,697	20,455	707,119	765,382
Disposals	-	-	(7,313)	(4,578)	(3,104)	-	(14,995)
Reclassifications	-	-	40,512	-	9,500	(3,675)	46,337
Balance at December 31, 2013	$ 2,596,325	$ 1,210,305	$ 647,912	$ 170,686	$ 347,522	$ 833,423	$ 5,806,173
Accumulated depreciation and impairment							
Balance at January 1, 2013	$ -	$ 252,589	$ 459,417	$ 108,026	$ 221,515	$ -	$ 1,041,547
Disposals	-	-	(7,306)	(4,267)	(2,758)	-	(14,331)
Depreciation expense	-	31,348	74,640	21,099	43,755	-	170,842
Balance at December 31, 2013	$ -	$ 283,937	$ 526,751	$ 124,858	$ 262,512	$ -	$ 1,198,058
Carrying amounts at December 31, 2013	$ 2,596,325	$ 926,368	$ 121,161	$ 45,828	$ 85,010	$ 833,423	$ 4,608,115
Cost							
Balance at January 1, 2014	$ 2,596,325	$ 1,210,305	$ 647,912	$ 170,686	$ 347,522	$ 833,423	$ 5,806,173
Additions	165,222	70,174	30,759	54,931	117,920	436,364	875,370
Disposals	(35,506)	(28,745)	(5,349)	(8,332)	(4,608)	-	(82,540)
Acquisitions through business combinations	35,506	28,745	28,016	3,744	2,847	-	98,858
Reclassifications	13,248	1,107,872	133,829	29,389	25,378	(1,237,791)	71,925
Balance at December 31, 2014	$ 2,774,795	$ 2,388,351	$ 835,167	$ 250,418	$ 489,059	$ 31,996	$ 6,769,786
Accumulated depreciation and impairment							
Balance at January 1, 2014	$ -	$ 283,937	$ 526,751	$ 124,858	$ 262,512	$ -	$ 1,198,058
Disposals	-	(9,690)	(5,287)	(8,219)	(3,029)	-	(26,225)

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Depreciation expense	$ -	$ 40,048	$ 73,406	$ 30,842	$ 57,877	$ -	$ 202,173
Acquisitions through business combinations	-	9,504	26,926	3,047	1,344	-	40,821
Balance at December 31, 2014	$ -	$ 323,799	$ 621,796	$ 150,528	$ 318,704	$ -	$ 1,414,827
Carrying amounts at December 31, 2014	$ 2,774,795	$ 2,064,552	$ 213,371	$ 99,890	$ 170,355	$ 31,996	$ 5,354,959

(Concluded)

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

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

13. GOODWILL

	December 31	
	2014	2013
Cost		
Balance at January 1	$ -	$ -
Additional amounts recognized during the year	111,599	-
Balance at December 31	$ 111,599	$ -

The Company merged with Netstar Technology Co., Ltd. in July 2014, with the Company as the survivor entity. The goodwill acquired through the merger is periodically tested for impairment loss.

14. 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 $100 thousand par value for 8 thousand units; 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 $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.

15. OTHER LIABILITIES

	December 31	
	2014	**2013**
Other payables		
Salaries or bonuses	$ 1,682,704	$ 1,424,762
Payable for royalties	47,230	82,618
Payable for annual leave	20,905	18,578
Others	319,646	329,610
	$ 2,070,485	$ 1,855,568

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

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

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

	December 31	
	2014	**2013**
Discount rates	1.875%	1.875%
Expected return on plan assets	2.000%	2.000%
Expected rates of salary increase	3.250%	3.250%

The assessment of 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, by reference to the aforementioned use of the plan assets and the impact of the related minimum 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	5,233	4,280
Expected return on plan assets	(2,573)	(2,281)
Effects of the Company's merger with a subsidiary	277	-
	$ 5,493	$ 4,715
An analysis by function		
Operating cost	$ 1,082	$ 1,015
Marketing expenses	776	647
Administration expenses	1,209	743
Research and development expenses	2,003	1,911
	$ 5,070	$ 4,316

Actuarial losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were $4,275 thousand and $9,519 thousand, respectively. The cumulative amounts of actuarial losses and gains recognized in other comprehensive income as of December 31, 2014 and 2013 were $3,632 thousand and $643 thousand, respectively.

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

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 308,456	$ 279,115
Fair value of plan assets	(144,208)	(124,931)
Deficit	164,248	154,184
Unrecognized past service cost	(5,044)	-
Net liability arising from defined benefit obligation	$ 159,204	$ 154,184

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

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 279,115	$ 263,402
Current service cost	2,556	2,716
Interest cost	5,233	4,280
Actuarial losses	6,813	10,677
Benefits paid	(1,092)	(1,960)
Liabilities assumed in a business combination	15,831	-
Closing defined benefit obligation	$ 308,456	$ 279,115

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

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 124,931	$ 116,527
Expected return on plan assets	2,573	2,281
Actuarial gains (losses)	1,663	(791)
Contributions from the employer	7,448	8,874
Benefits paid	(1,092)	(1,960)
Assets acquired in a business combination	8,685	-
Closing fair value of plan assets	$ 144,208	$ 124,931

For the years ended December 31, 2014 and 2013, the actual return on plan assets were $4,236 thousand and $1,490 thousand, respectively.

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

	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.

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 308,456	$ 279,115	$ 263,402	$ 280,726
Fair value of plan assets	$ 144,208	$ 124,931	$ 116,527	$ 116,891
Deficit	$ 164,248	$ 154,184	$ 146,875	$ 163,835
Experience adjustments on plan liabilities	$ (286)	$ (20,332)	$ 13,681	$ -
Experience adjustments on plan assets	$ 1,663	$ (791)	$ (1,438)	$ -

The Company expects to make a contribution of $7,428 thousand and $7,468 thousand, respectively to the defined benefit plans during the annual period beginning after 2014 and 2013.

17. 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 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 (Dollars)	
	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 the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Exchange differences 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 reclassified to profit or loss on disposal of foreign operation	-	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	702,227	(228,827)
Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets	(43,163)	(69,180)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	(20,253)	53,529
Balance at December 31	$ 563,277	$ (75,534)

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2014	2013
Interest on convertible bonds	$ 21	$ 2,768
Interest on short-term bank loans	400	-
	$ 421	$ 2,768

b. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	$ 202,173	$ 170,842
Intangible assets	61,530	69,640
	$ 263,703	$ 240,482
An analysis of depreciation by function		
Operating costs	$ 34,007	$ 28,047
Operating expenses	168,166	142,795
	$ 202,173	$ 170,842
An analysis of amortization by function		
Operating costs	$ 90	$ 85
Operating expenses	61,440	69,555
	$ 61,530	$ 69,640

c. Employee benefits expense

	2014		
	Operating Costs	Operating Expenses	Total
Salaries expenses	$ 473,990	$ 2,296,069	$ 2,770,059
Labor and health insurance	26,352	140,576	166,928
Post-employment benefits			
Defined benefit plans	19,904	80,638	100,542
Defined contribution plans	1,082	3,988	5,070
Other employee benefits	31,033	78,369	109,402
Total employee benefits expense	$ 552,361	$ 2,599,640	$ 3,152,001

	2013		
	Operating Costs	Operating Expenses	Total
Salaries expenses	$ 419,163	$ 2,007,582	$ 2,426,745
Labor and health insurance	38,099	117,486	155,585
Post-employment benefits			
Defined benefit plans	17,869	68,872	86,741
Defined contribution plans	1,015	3,301	4,316
Other employee benefits	29,694	74,766	104,460
Total employee benefits expense	$ 505,840	$ 2,272,007	$ 2,777,847

d. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2014	2013
Foreign exchange gains	$ 511,481	$ 371,120
Foreign exchange losses	(457,537)	(268,932)
	$ 53,744	$ 102,188

As of December 31, 2014 and 2013, the Company had 2,526 and 2,185 employees, respectively, and the average number of employees for the years then ended were 2,363 and 2,072, respectively.

19. INCOME TAXES 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 the current year	$ 500,117	$ 536,604
Adjustments for prior periods	1,498	37,690
Income tax on unappropriated earnings	10,854	89,787
	512,469	664,081
Deferred tax		
In respect of the current year	229,421	52,020
Income tax expense recognized in profit or loss	$ 741,890	$ 716,101

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	$ 5,649,672	$ 4,822,498
Income tax expense calculated at the statutory rate	$ 960,444	$ 819,825
Nondeductible expenses in determining taxable income	114	-
Tax-exempt income	(219,331)	(169,581)
Unrecognized unappropriated earnings of subsidiaries	(11,689)	(61,620)
Income tax on unappropriated earnings	10,854	89,787
Adjustments for prior years' tax	1,498	37,690
Income tax expense recognized in profit or loss	$ 741,890	$ 716,101

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

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
Deferred tax		
In respect of the current year		
Actuarial gain and loss on defined benefit plan	$ 875	$ 1,949
Translation of foreign operations	(42,667)	(48,007)
	$ (41,792)	$ (46,058)

c. Current tax assets and liabilities

	December 31	
	2014	2013
Current tax liabilities		
Income tax payable	$ 650,399	$ 601,952

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	Acquisitions Through Business Combinations	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 41,968	$ (1,030)	$ -	$ -	$ 40,938
Unrealized loss on inventory write-down	16,700	(929)	-	-	15,771
Defined benefit obligation	16,488	(347)	-	-	16,141
Unrealized warranty liabilities	5,680	460	-	-	6,140
Actuarial loss on defined benefit plans	1,949	-	875	127	2,951
	$ 82,785	$ (1,846)	$ 875	$ 127	$ 81,941
Deferred tax liabilities					
Temporary differences					
Unappropriated earnings of subsidiaries	$ 588,210	$ 219,626	$ -	$ -	$ 807,836
Exchange difference on foreign operations	26,635	-	42,667	-	69,302
Actuarial gains and losses on defined benefit plan	2,081	-	-	1,310	3,391
Unrealized exchange gain	571	7,949	-	-	8,520
	$ 617,497	$ 227,575	$ 42,667	$ 1,310	$ 889,049

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisitions 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	26,076	(9,376)	-	-	16,700
Exchange difference on foreign operations	21,372	-	(21,372)	-	-
Defined benefit obligation	17,195	(707)	-	-	16,488
Unrealized exchange losses (gain)	(7,168)	7,168	-	-	-
Unrealized warranty liabilities	5,920	(240)	-	-	5,680
Actuarial losses on defined benefit plans	-	-	1,949	-	1,949
	$ 106,967	$ (4,759)	$ (19,423)	$ -	$ 82,785
Deferred tax liabilities					
Temporary differences					
Unappropriated earnings of subsidiaries	$ 541,520	$ 46,690	$ -	$ -	$ 588,210
Exchange difference on foreign operations	-	-	26,635	-	26,635
Actuarial gains (losses) on defined benefit plan	2,081	-	-	-	2,081
Unrealized exchange gain	-	571	-	-	571
	$ 543,601	$ 47,261	$ 26,635	$ -	$ 617,497

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

	December 31 2014	December 31 2013
Deductible temporary differences		
Cumulative losses of subsidiaries	$ 20,742	$ 1,315

f. As of December 31, 2014, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

	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		
Generated on and after January 1, 1998	$ 6,358,318	$ 5,452,733
Imputation credits accounts	$ 271,571	$ 521,664

The creditable ratio for distribution of earnings of 2014 and 2013 was 13.42% and 9.57%, respectively.

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

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 tax returns through 2010, except 2008, have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2008 tax return and applied for a re-examination. Nevertheless, to be conservative, the Company provided for the income tax assessed by the tax authorities.

20. 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 weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares September 7, 2014. The basic and diluted after-tax earnings per share adjusted retrospectively were as follows:

	Before Adjusted Retrospectively	
	For the Year Ended December 31	
	2013	**2012**
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 the entire amount of the bonus would be settled in shares, and the resulting potential shares were included in the weighted average number of outstanding shares used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

21. 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 from the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in August 2014, July 2010, and December 2009 are valid for six, five and five years, respectively. All are exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Company’s common shares listed on the grant date. For any subsequent changes in the Company’s paid-in capital, the exercise price and the number of options will be adjusted accordingly.

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

	2014		2013	
	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 share prices on the exercise of share options ranged 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 Ended 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	5.36	$ -	$ -
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, respectively.

22. BUSINESS COMBINATIONS

Subsidiaries Acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
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

The Company acquired 99.97% equity in LNC Technology Co., Ltd., a subsidiary within the Pou Chen Group, and renamed it ALTC. In addition to cultivating the subsidiary’s business of machine control solutions, the Company will develop the fields of robotics and intelligent control platforms to expand its share of the automated control market.

The Company acquired 70.19% equity in AdvanPOS to expand its share in the new retail market of intelligent products. After the acquisition, AdvanPOS retained its name and has expanded its efforts in POS (point of sale) system development.

For more information, please refer to Note 25 to consolidated financial report for 2014.

23. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

a. In November 2013, the Company acquired an additional 0.03% equity in ALTC, increasing its interest to 100%. 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 share transactions reduced its continuing interest from 100% to 89.93%.

b. 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 share transactions reduced its interest from 70.19 % to 69.47%.

c. In the third quarter of 2014, the Company wholly acquired Netstar Technology Co., Ltd. ("Netstar") from Advantech Corporate Investment and merged with Netstar, with the Company as survivor entity.

d. In November 2013, the Company acquired additional 20% holding interest of ABR, increasing its continuing interest from 43.28% to 60.28%.

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

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For more detailed information, refer to Note 27 to consolidated financial report for 2014.

24. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

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

	December 31	
	2014	**2013**
Not later than 1 year	$ 5,942	$ 5,135

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

	For the Year Ended December 31	
	2014	**2013**
Minimum lease payment	$ 21,200	$ 24,820

25. CAPITAL MANAGEMENT

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

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

The Company is not subject to any externally imposed capital requirements. Key management personnel of the 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 Company 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.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

	December 31			
	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

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,385,937	$ -	$ -	$ 2,385,937
Mutual funds	1,717,756	-	-	1,717,756
	$ 4,103,693	$ -	$ -	$ 4,103,693
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	$ 1,829,292	$ -	$ -	$ 1,829,292
Mutual funds	1,243,860	-	-	1,243,860
	$ 3,073,152	$ -	$ -	$ 3,073,152
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 23,722	$ -	$ 23,722

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

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

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

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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

b. Categories of financial instruments

	December 31	
	2014	2013
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 14,879	$ 2,723
Loans and receivables (Note 1)	6,204,574	5,254,233
Available-for-sale financial assets	4,103,693	3,073,152
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	8,698	23,722
Measured at amortized cost (Note 2)	5,282,353	4,527,698

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade and other payables (including those to related parties) and accrued convertible bonds and long-term borrowings.

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company's forward exchange contracts are used to minimize risks of market price and fluctuations in cash flows; however, because these contracts 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) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 30 and 7, respectively.

Sensitivity analysis

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

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

	U.S. Dollar Impact		**Euro Impact**		**Chinese Yuan Impact**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Profit or loss	$ 45,210 (Note 1)	$ 1,940 (Note 1)	$ 55,691 (Note 2)	$ 8,013 (Note 2)	$ 41,358 (Note 3)	$ 41,646 (Note 3)

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

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

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

b) Interest rate risk

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

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

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

	December 31	
	2014	**2013**
Fair value interest rate risk		
Financial assets	$ 201,962	$ 546,678
Cash flow interest rate risk		
Financial assets	862,306	595,116

<u>Sensitivity analysis</u>

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

Had interest rates been 50 basis points higher and all other variables been held constant, the Company's pretax profit for the years ended December 31, 2014 and 2013 would have increased by $4,312 thousand and $2,976 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Company's pretax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and open-end mutual funds. The Company manages this exposure by maintaining a portfolio of investments with different risks. The Company's price risks are primarily concentrated on equity instruments and open-end fund issued by Taiwan exchange commercial entities.

<u>Sensitivity analysis</u>

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

Had equity prices been 1% higher, pretax other comprehensive income for the years ended December 31, 2014 and 2013 would have increased by $41,037 thousand and $30,732 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pretax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

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

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

3) Liquidity risk

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

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 nonderivative financial liabilities

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

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

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

December 31, 2014

	Weighted Average Effective Interest Rate (%)	**On Demand or Less than 1 Month**	**1-3 Months**	**Over 3 Months to 1 Year**	**Over 1 Year - 5 Years**
Nonderivative financial liabilities					
Noninterest bearing	-	$ 2,319,821	$ 2,076,529	$ 886,003	$ -

December 31, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year - 5 Years
Nonderivative financial liabilities					
Noninterest bearing	-	$ 1,949,464	$ 1,865,957	$ 712,277	$ -

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

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

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

December 31, 2014

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

c) Financing facilities

	December 31	
	2014	2013
Unsecured bank loan facilities		
Amount used	$ -	$ -
Amount unused	3,091,350	2,993,750
	$ 3,091,350	$ 2,993,750

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

	For the Year Ended December 31	
Related Party Categories	2014	2013
Subsidiaries	$ 19,470,162	$ 16,196,176
Associates	80,889	68,057
Other related parties	221	-
	$ 19,551,272	$ 16,264,233

b. Purchases of goods

	For the Year Ended December 31	
Related Party Categories	2014	2013
Subsidiaries	$ 14,201,284	$ 11,141,828
Associates	24,357	19,141
	$ 14,225,641	$ 11,160,969

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

		December 31	
Line Item	Related Party Categories	2014	2013
Account receivables - related parties	Subsidiaries	$ 4,009,011	$ 3,098,482
	Associates	5,400	6,579
		$ 4,014,411	$ 3,105,061
Note receivable	Associates	$ 370	$ -

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2014 and 2013 no impairment loss was recognized for trade receivables from related parties.

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

Related Party Categories	December 31 2014	2013
Subsidiaries	$ 2,432,390	$ 2,075,602
Associates	1,546	1,784
	$ 2,433,936	$ 2,077,386

The outstanding trade payables from related parties are unsecured.

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

Related Party Categories	December 31 2014	2013
Subsidiaries	$ 15,641	$ 12,101

f. Property, plant and equipment acquired

Related Party Categories	Price For the Year Ended December 31 2014	2013
Subsidiaries	$ -	$ 214
Other related parties	193,240	-
	$ 193,240	$ 214

g. Property, plant and equipment acquired

Related Party Categories	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
	2014	2013	2014	2013
Subsidiaries	$ -	$ 108	$ -	$ -

h. Loans to related parties

Related Party Categories	December 31 2014	2013
Other receivable from related party		
Subsidiaries	$ -	$ 138,987
Interest income		
Subsidiaries	$ 1,954	$ 454

The Company provided unsecured short-term loans to AEU, at rates comparable to market interests.

i. Other transactions with related parties

	Operating Expenses	
	For the Year Ended December 31	
	2014	2013
Administration expenses		
Subsidiaries	$ 12,229	$ 14,023
Rent expenses		
Subsidiaries	$ 552	$ 85
Other related parties	4,405	8,851
	$ 4,957	$ 8,936

	Other Income	
	For the Year Ended December 31	
	2014	2013
Royalties		
Subsidiaries	$ 439,706	$ 377,646
Rent income		
Subsidiaries	$ 1,676	$ 96
Others		
Subsidiaries	$ 67,229	$ 73,535
Other related parties	2,762	2,000
Associates	502	-
	$ 70,493	$ 75,535

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

j. Compensation of key management personnel

	For the Year Ended December 31	
	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 regard to the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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 a bank guarantee for the Company’s purchases.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2014 were as follows.

Significant commitments

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.

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 489,568	5.092 (RMB:NTD)	$ 2,492,880
USD	76,271	31.65 (USD:NTD)	2,413,977
EUR	17,712	38.47 (EUR:NTD)	681,381
			$ 5,588,238
Financial liabilities			
Monetary items			
USD	46,439	31.65 (USD:NTD)	$ 1,469,794
RMB	262,127	5.092 (RMB:NTD)	1,334,751
			$ 2,804,545

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 420,916	4.904 (RMB:NTD)	$ 2,064,167
USD	55,929	29.805 (USD:NTD)	1,666,961
EUR	18,900	41.09 (EUR:NTD)	776,614
			$ 4,507,742

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 44,116	29.805 (USD:NTD)	$ 1,314,864
RMB	251,072	4.904 (RMB:NTD)	1,231,256
			$ 2,546,120

(Concluded)

31. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries and associates). (Table 3)

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (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 26)

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

c. Information on investments in mainland China

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

2) Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, their prices, and payment terms, and unrealized gains or losses. Refer to Note 27, Tables 1, 5 and 6.

ADVANTECH CO., LTD. AND INVESTEES

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 (Notes B and D)		Actual Borrowing (Note B)	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 Holdings Limited (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 Technologies (Shanghai) Inc.	Shenzhen Cermate Technologies Inc.	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: 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.

TABLE 2

ADVANTECH CO., LTD. AND INVESTEES

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

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ACA	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 INVESTEES

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 Technologies Inc.	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 INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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 (Note)	
					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 denominated 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.

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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: Unrealized loss for the year was $11,019 thousand.

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

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

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

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	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.

ADVANTECH CO., LTD. AND INVESTEES

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 Technologies Inc.	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 Scientific Research Co., Ltd.	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	8,314,280	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 Technologies Inc.	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
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

(Continued)

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.

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND INVESTEES

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) (Note 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 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 31 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.

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.

(Concluded)