# Advantech Co., Ltd. and Subsidiaries

## Consolidated Financial Statements for the Nine Months Ended September 30, 2014 and 2013 and Independent Auditors' Review Report

## INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2014, December 31, 2013, and September 30, 2013 and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2014 and 2013, and changes in equity and cash flows for the nine months ended September 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. However, the financial statements of an associate, Axiomtek Co., Ltd., as of and for the nine months ended September 30, 2014 and 2013 were reviewed by other independent CPAs. This investee's share of the investments accounted for using the equity method were 1.36% (NT$396,950 thousand) and 1.51% (NT$381,327 thousand) of the Company's total consolidated assets as of September 30, 2014 and 2013, respectively. The Company's share of its profit was 1.64% (NT$26,149 thousand), 1.33% (NT$18,842 thousand), 1.74% (NT$78,760 thousand) and 1.52% (NT$59,362 thousand) of the Company's consolidated pretax profits for the three months and nine months ended September 30, 2014 and 2013, respectively.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of the Company's subsidiaries as disclosed in the Note 4 for the nine months ended September 30, 2014 and 2013 had not been reviewed, except those of Advantech Automation Corp. (BVI), Advantech Automation Corp. (H.K.) Limited, Advantech Corp., Advantech Technology Co., Ltd, Advantech Technology (HK) Co., Limited, Advantech Technology (China) Co., Ltd. (AKMC), Advantech Europe Holding B.V, and Advantech Europe B.V. The total assets of unreviewed subsidiaries were 14.77% (NT$4,312,954 thousand) and 17.25% (NT$4,348,308 thousand) of the Company's consolidated total assets as of September 30, 2014 and 2013, respectively. The total liabilities of unreviewed subsidiaries were 22.08% (NT$1,897,774 thousand) and 21.90% (NT$1,577,427 thousand) of the Company's consolidated total liabilities as of September 30, 2014 and 2013, respectively. The comprehensive incomes of these subsidiaries were 23.67% (NT$271,597 thousand), 17.84% (NT$155,926 thousand), 17.56% (NT$690,160 thousand) and 17.14% (NT$480,600 thousand) of the Company's consolidated comprehensive incomes for the three months and nine months ended September 30 2014 and 2013, respectively. Also, as stated in Note 12 to the consolidated financial statements, the investments accounted for using the equity method were NT$28,502 thousand and NT$6,623 thousand as of September 30, 2014 and 2013, respectively. The equities in earnings of the associates were

NT$1,786 thousand, NT$489 thousand, NT$2,994 thousand and NT$(116) thousand of the Company's consolidated net income for the three months and nine months ended September 30, 2014 and 2013, respectively, and these investment amounts as well as additional disclosures in Note 33 "Information on investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews and the review reports of the other auditors, except for the effects of any adjustments as might have been determined to be necessary had the financial statements of the Company's subsidiaries described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Advantech Co., Ltd. and subsidiaries referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

November 7, 2014

*Notice to Readers*

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

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| | September 30, 2014 (Reviewed) | | December 31, 2013 (Audited) | | September 30, 2013 (Reviewed) | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 3,287,199 | 11 | $ 2,832,358 | 10 | $ 2,290,781 | 9 |
| Financial assets at fair value through profit or loss - current (Notes 7 and 28) | 132,709 | 1 | 2,723 | - | 7,498 | - |
| Available-for-sale financial assets - current (Notes 8 and 28) | 903,272 | 3 | 2,112,427 | 8 | 1,438,047 | 6 |
| Debt investments with no active market - current (Note 9) | 375,598 | 2 | 568,803 | 2 | 486,201 | 2 |
| Notes receivable (Note 10) | 935,921 | 3 | 749,529 | 3 | 662,405 | 3 |
| Trade receivables (Note 10) | 5,313,348 | 18 | 4,753,568 | 17 | 4,417,453 | 17 |
| Trade receivables from related parties (Note 29) | 9,072 | - | 6,579 | - | 6,180 | - |
| Other receivables | 17,086 | - | 24,736 | - | 38,297 | - |
| Inventories (Note 11) | 4,722,203 | 16 | 4,030,657 | 15 | 3,951,362 | 16 |
| Other current financial assets (Note 30) | 18,650 | - | 109,310 | - | 109,310 | - |
| Other current assets (Note 15) | 350,046 | 1 | 220,940 | 1 | 444,739 | 2 |
| Total current assets | 16,065,104 | 55 | 15,411,630 | 56 | 13,852,273 | 55 |
| NONCURRENT ASSETS | | | | | | |
| Available-for-sale financial assets - noncurrent, net of current portion (Notes 8 and 28) | 2,005,688 | 7 | 1,864,424 | 7 | 1,702,966 | 7 |
| Investments accounted for using the equity method (Note 12) | 425,452 | 2 | 402,433 | 1 | 387,950 | 2 |
| Property, plant and equipment (Notes 13 and 30) | 8,828,897 | 30 | 7,941,679 | 29 | 7,529,604 | 30 |
| Goodwill (Note 14) | 1,247,708 | 4 | 1,265,658 | 5 | 1,088,098 | 4 |
| Other intangible assets | 273,651 | 1 | 326,617 | 1 | 336,612 | 1 |
| Deferred tax assets (Notes 4 and 22) | 140,291 | 1 | 144,047 | 1 | 149,409 | 1 |
| Prepayments for business facilities | 50,893 | - | 25,299 | - | 27,406 | - |
| Long-term prepayments for lease (Note 15) | 94,152 | - | 94,416 | - | 94,228 | - |
| Other noncurrent assets | 70,641 | - | 59,881 | - | 42,133 | - |
| Total noncurrent assets | 13,137,373 | 45 | 12,124,454 | 44 | 11,358,406 | 45 |
| TOTAL | $ 29,202,477 | 100 | $ 27,536,084 | 100 | $ 25,210,679 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Notes 16 and 30) | $ 205,144 | 1 | $ 123,144 | - | $ - | - |
| Financial liabilities at fair value through profit or loss - current (Notes 7 and 28) | 3,226 | - | 23,722 | - | 11,463 | - |
| Trade payables (Note 29) | 3,462,950 | 12 | 3,003,543 | 11 | 2,684,096 | 11 |
| Other payables (Note 18) | 2,902,849 | 10 | 2,909,390 | 11 | 2,437,642 | 10 |
| Current tax liabilities (Notes 4 and 22) | 760,309 | 3 | 695,945 | 3 | 655,012 | 3 |
| Short-term warranty provision | 141,555 | - | 122,437 | - | 127,153 | - |
| Current portion of long-term borrowings and bonds payable (Notes 16, 17 and 28) | - | - | 18,348 | - | 197,549 | 1 |
| Other current liabilities | 167,902 | - | 336,026 | 1 | 340,044 | 1 |
| Total current liabilities | 7,643,935 | 26 | 7,232,555 | 26 | 6,452,959 | 26 |
| NONCURRENT LIABILITIES | | | | | | |
| Long-term borrowings (Notes 16 and 30) | - | - | - | - | 20,000 | - |
| Deferred tax liabilities (Notes 4 and 22) | 698,189 | 2 | 623,598 | 2 | 582,452 | 2 |
| Long-term accounts payable | 96,281 | - | 102,519 | - | - | - |
| Accrued pension liabilities (Notes 4 and 19) | 155,336 | 1 | 156,864 | 1 | 147,419 | 1 |
| Other noncurrent liabilities | 1,071 | - | 358 | - | 876 | - |
| Total noncurrent liabilities | 950,877 | 3 | 883,339 | 3 | 750,747 | 3 |
| Total liabilities | 8,594,812 | 29 | 8,115,894 | 29 | 7,203,706 | 29 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 6,287,021 | 22 | 5,669,249 | 21 | 5,669,249 | 23 |
| Advance receipts for share capital | 14,010 | - | 24,751 | - | - | - |
| Total share capital | 6,301,031 | 22 | 5,694,000 | 21 | 5,669,249 | 23 |
| Capital surplus | | | | | | |
| Additional paid-in capital from share issuance in excess of par value | 5,081,872 | 18 | 4,870,500 | 18 | 4,739,683 | 19 |
| Employee stock options | 100,439 | - | 121,023 | - | 130,190 | - |
| Changes in equity of associates accounted for using the equity method | 36,630 | - | 4,112 | - | 1,241 | - |
| Capital surplus, others | 134 | - | - | - | - | - |
| Total capital surplus | 5,219,075 | 18 | 4,995,635 | 18 | 4,871,114 | 19 |
| Retained earnings | | | | | | |
| Legal reserve | 3,472,064 | 12 | 3,061,424 | 11 | 3,061,424 | 12 |
| Unappropriated earnings | 5,128,855 | 17 | 5,452,733 | 20 | 4,469,845 | 18 |
| Total retained earnings | 8,600,919 | 29 | 8,514,157 | 31 | 7,531,269 | 30 |
| Other equity | | | | | | |
| Exchange differences on translation of foreign financial statements | 160,635 | 1 | 130,041 | - | 29,272 | - |
| Unrealized gains (losses) on available-for-sale financial assets | 138,502 | - | (75,534) | - | (257,527) | (1) |
| Total other equity | 299,137 | 1 | 54,507 | - | (228,255) | (1) |
| Total equity attributable to owners of the Company | 20,420,162 | 70 | 19,258,299 | 70 | 17,843,377 | 71 |
| NONCONTROLLING INTERESTS | 187,503 | 1 | 161,891 | 1 | 163,596 | - |
| Total equity | 20,607,665 | 71 | 19,420,190 | 71 | 18,006,973 | 71 |
| TOTAL | $ 29,202,477 | 100 | $ 27,536,084 | 100 | $ 25,210,679 | 100 |

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

(With Deloitte & Touche review report dated November 7, 2014)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUE (Note 29) | | | | | | | | |
| Sales | $ 8,933,587 | 98 | $ 7,787,919 | 98 | $ 25,874,022 | 97 | $ 21,783,857 | 97 |
| Other operating revenue | 190,950 | 2 | 161,438 | 2 | 675,080 | 3 | 603,724 | 3 |
| Total operating revenue | 9,124,537 | 100 | 7,949,357 | 100 | 26,549,102 | 100 | 22,387,581 | 100 |
| OPERATING COSTS (Notes 11, 19, 21, and 29) | 5,508,412 | 60 | 4,749,048 | 60 | 15,836,645 | 60 | 13,226,358 | 59 |
| GROSS PROFIT | 3,616,125 | 40 | 3,200,309 | 40 | 10,712,457 | 40 | 9,161,223 | 41 |
| OPERATING EXPENSES (Notes 19, 21, and 29) | | | | | | | | |
| Selling and marketing expenses | 831,544 | 9 | 772,680 | 10 | 2,657,780 | 10 | 2,281,372 | 10 |
| General and administrative expenses | 586,947 | 6 | 502,663 | 6 | 1,559,877 | 6 | 1,415,979 | 7 |
| Research and development expenses | 861,746 | 10 | 676,860 | 8 | 2,281,869 | 8 | 1,955,610 | 9 |
| Total operating expenses | 2,280,237 | 25 | 1,952,203 | 24 | 6,499,526 | 24 | 5,652,961 | 26 |
| OPERATING PROFIT | 1,335,888 | 15 | 1,248,106 | 16 | 4,212,931 | 16 | 3,508,262 | 15 |
| NONOPERATING INCOME | | | | | | | | |
| Share of the profit of associates accounted for using the equity method (Note 12) | 27,935 | - | 19,331 | - | 81,754 | - | 59,246 | - |
| Interest income | 13,134 | - | 7,000 | - | 39,125 | - | 20,536 | - |
| Gains (losses) on disposal of property, plant and equipment | (2,469) | - | (9) | - | (3,307) | - | 41,726 | - |
| Gains on disposal of investments (Note 20) | 15,376 | - | 8,375 | - | 16,007 | - | 65,570 | - |
| Foreign exchange gains (losses), net | 21,630 | - | 11,266 | - | (25,936) | - | 72,843 | 1 |
| Gains on financial instruments at fair value through profit or loss (Note 7) | 43,429 | 1 | 6,615 | - | 57,432 | - | 27,167 | - |
| Dividend revenue | 130,716 | 2 | 107,980 | 2 | 130,716 | 1 | 107,980 | 1 |
| Other income (Notes 8 and 29) | 17,174 | - | 15,370 | - | 62,796 | - | 57,007 | - |
| Finance costs (Note 21) | (1,606) | - | (871) | - | (4,009) | - | (6,319) | - |
| Losses on financial instruments at fair value through profit or loss (Note 7) | (1,979) | - | (10,068) | - | (40,188) | - | (46,414) | - |
| Other losses | (1,729) | - | (1,423) | - | (6,568) | - | (6,307) | - |
| Total nonoperating income | 261,611 | 3 | 163,566 | 2 | 307,822 | 1 | 393,035 | 2 |
| PROFIT BEFORE INCOME TAX | 1,597,499 | 18 | 1,411,672 | 18 | 4,520,753 | 17 | 3,901,297 | 17 |
| INCOME TAX EXPENSE (Notes 4 and 22) | 270,357 | 3 | 303,338 | 4 | 828,773 | 3 | 799,954 | 3 |
| NET PROFIT FOR THE PERIOD | 1,327,142 | 15 | 1,108,334 | 14 | 3,691,980 | 14 | 3,101,343 | 14 |

(Continued)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | |
| Exchange differences on translating foreign operations (Note 20) | $ 90,374 | 1 | $ (63,585) | (1) | $ 30,078 | - | $ 153,816 | 1 |
| Unrealized gains (losses) on available-for-sale financial assets (Note 20) | (254,579) | (3) | (179,892) | (2) | 214,036 | 1 | (426,471) | (2) |
| Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 20) | 690 | - | (1,123) | - | 449 | - | 2,470 | - |
| Income tax relating to the components of other comprehensive income (expense) (Notes 4, 20 and 22) | (15,989) | - | 10,053 | - | (6,266) | - | (27,367) | - |
| Other comprehensive income (loss) for the period, net of income tax | (179,504) | (2) | (234,547) | (3) | 238,297 | 1 | (297,552) | (1) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | $ 1,147,638 | 13 | $ 873,787 | 11 | $ 3,930,277 | 15 | $ 2,803,791 | 13 |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | $ 1,319,749 | 15 | $ 1,104,256 | 14 | $ 3,674,337 | 14 | $ 3,083,216 | 14 |
| Noncontrolling interests | 7,393 | - | 4,078 | - | 17,643 | - | 18,127 | - |
| | $ 1,327,142 | 15 | $ 1,108,334 | 14 | $ 3,691,980 | 14 | $ 3,101,343 | 14 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | $ 1,143,235 | 13 | $ 875,281 | 11 | $ 3,918,967 | 15 | $ 2,790,362 | 13 |
| Noncontrolling interests | 4,403 | - | (1,494) | - | 11,310 | - | 13,429 | - |
| | $ 1,147,638 | 13 | $ 873,787 | 11 | $ 3,930,277 | 15 | $ 2,803,791 | 13 |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23) | | | | | | | | |
| Basic | $2.10 | | $1.77 | | $5.85 | | $4.96 | |
| Diluted | $2.09 | | $1.76 | | $5.82 | | $4.92 | |

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

(With Deloitte & Touche review report dated November 7, 2014) (Concluded)

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued Capital (Notes 20 and 24) | | | | Retained Earnings (Notes 20 and 27) | | | | Other Equity (Note 20) | | | | |
| | Share Capital | Advance Receipt for Ordinary Share Capital | Total - Capital Stock | Capital Surplus (Notes 20, 24, 27) | Legal Reserve | Special Reserve | Unappropriated Earnings | Total - Retained Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Total | Non-controlling Interests (Notes 20 and 27) | Total Equity |
| BALANCE AT JANUARY 1, 2013 | $ 5,639,971 | $ - | $ 5,639,971 | $ 4,701,785 | $ 2,715,185 | $ 545,303 | $ 3,952,535 | $ 7,213,023 | $ (104,345) | $ 168,944 | $ 17,619,378 | $ 107,891 | $ 17,727,269 |
| Appropriation of the 2012 earrings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 346,239 | - | (346,239) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | (545,303) | 545,303 | - | - | - | - | - | - |
| Cash dividends on ordinary share | - | - | - | - | - | - | (2,763,586) | (2,763,586) | - | - | (2,763,586) | - | (2,763,586) |
| Issue of ordinary shares for employee share options | 15,590 | - | 15,590 | 62,364 | - | - | - | - | - | - | 77,954 | - | 77,954 |
| Compensation cost recognized for employee share options | - | - | - | 16,508 | - | - | - | - | - | - | 16,508 | - | 16,508 |
| Change in capital surplus from investments in associates and joint ventures accounted for using the equity method | - | - | - | 1,241 | - | - | - | - | - | - | 1,241 | - | 1,241 |
| Difference between consideration and carrying amount of subsidiaries acquired | - | - | - | - | - | - | (1,384) | (1,384) | - | - | (1,384) | (2,211) | (3,595) |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 44,487 | 44,487 |
| Convertible bonds converted to ordinary shares | 13,688 | - | 13,688 | 89,216 | - | - | - | - | - | - | 102,904 | - | 102,904 |
| Net profit for the nine months ended September 30, 2013 | - | - | - | - | - | - | 3,083,216 | 3,083,216 | - | - | 3,083,216 | 18,127 | 3,101,343 |
| Other comprehensive income (loss) for the nine months ended September 30, 2013, net of income tax | - | - | - | - | - | - | - | - | 133,617 | (426,471) | (292,854) | (4,698) | (297,552) |
| Total comprehensive income for the nine months ended September 30, 2013 | - | - | - | - | - | - | 3,083,216 | 3,083,216 | 133,617 | (426,471) | 2,790,362 | 13,429 | 2,803,791 |
| BALANCE AT SEPTEMBER 30, 2013 | $ 5,669,249 | $ - | $ 5,669,249 | $ 4,871,114 | $ 3,061,424 | $ - | $ 4,469,845 | $ 7,531,269 | $ 29,272 | $ (257,527) | $ 17,843,377 | $ 163,596 | $ 18,006,973 |
| BALANCE AT JANUARY 1, 2014 | $ 5,669,249 | $ 24,751 | $ 5,694,000 | $ 4,995,635 | $ 3,061,424 | $ - | $ 5,452,733 | $ 8,514,157 | $ 130,041 | $ (75,534) | $ 19,258,299 | $ 161,891 | $ 19,420,190 |
| Appropriation of the 2013 earrings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 410,640 | - | (410,640) | - | - | - | - | - | - |
| Cash dividends on ordinary share | - | - | - | - | - | - | (3,017,820) | (3,017,820) | - | - | (3,017,820) | - | (3,017,820) |
| Stock dividends on ordinary share | 569,400 | - | 569,400 | - | - | - | (569,400) | (569,400) | - | - | - | - | - |
| Issue of ordinary shares for employee share options | 37,400 | (1,900) | 35,500 | 131,142 | - | - | - | - | - | - | 166,642 | - | 166,642 |
| Compensation cost recognized for employee share options | - | - | - | 45,924 | - | - | - | - | - | - | 45,924 | - | 45,924 |
| Convertible bonds converted to ordinary shares | 10,972 | (8,841) | 2,131 | 13,855 | - | - | - | - | - | - | 15,986 | - | 15,986 |
| Change in capital surplus from investments in associates and joint ventures accounted for by the equity method | - | - | - | 8,813 | - | - | - | - | - | - | 8,813 | - | 8,813 |
| Difference between consideration and carrying amount of subsidiaries acquired | - | - | - | 23,706 | - | - | (355) | (355) | - | - | 23,351 | 14,302 | 37,653 |
| Net profit for the nine months ended September 30, 2014 | - | - | - | - | - | - | 3,674,337 | 3,674,337 | - | - | 3,674,337 | 17,643 | 3,691,980 |
| Other comprehensive income for the nine months ended September 30, 2014, net of income tax | - | - | - | - | - | - | - | - | 30,594 | 214,036 | 244,630 | (6,333) | 238,297 |
| Total comprehensive income for the nine months ended September 30, 2014 | - | - | - | - | - | - | 3,674,337 | 3,674,337 | 30,594 | 214,036 | 3,918,967 | 11,310 | 3,930,277 |
| BALANCE AT SEPTEMBER 30, 2014 | $ 6,287,021 | $ 14,010 | $ 6,301,031 | $ 5,219,075 | $ 3,472,064 | $ - | $ 5,128,855 | $ 8,600,919 | $ 160,635 | $ 138,502 | $ 20,420,162 | $ 187,503 | $ 20,607,665 |

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

(With Deloitte & Touche review report dated November 7, 2014)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2014** | **2013** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 4,520,753 | $ 3,901,297 |
| Adjustments for: | | |
| Depreciation expenses | 363,316 | 272,310 |
| Amortization expenses | 78,443 | 73,041 |
| Provision for bad-debt expense | 3,183 | 16,274 |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | (17,244) | 19,247 |
| Compensation cost of employee share options | 45,924 | 16,508 |
| Finance costs | 4,009 | 6,319 |
| Interest income | (39,125) | (20,536) |
| Share of profit of associates accounted for using the equity method | (81,754) | (59,246) |
| (Gain) loss on disposal of property, plant and equipment | 3,307 | (41,726) |
| Gain on disposal of investments | (16,007) | (69,942) |
| Loss on disposal of subsidiaries | - | 4,372 |
| Loss recognized on the write-down, shortage and disposal of inventories | 139,031 | 165,179 |
| Loss on bond redemption | 17 | - |
| Changes in operating assets and liabilities | | |
| Increase in financial assets held for trading | (133,238) | (8,023) |
| Increase in notes receivable | (186,392) | (44,980) |
| Increase in trade receivables | (562,185) | (665,003) |
| Increase in trade receivables due from related parties | (2,493) | (2,803) |
| (Increase) decrease in other receivables | (109,143) | 52,816 |
| Increase in inventories | (830,577) | (14,131) |
| Increase in other current assets | (38,446) | (223,551) |
| Increase in trade payables | 459,407 | 229,328 |
| Decrease in accrued pension liabilities | (1,528) | (3,228) |
| Increase (decrease) in other payables | (18,667) | 342,865 |
| Decrease in other current liabilities | (168,124) | (163,736) |
| Cash generated from operations | 3,412,467 | 3,782,651 |
| Interest received | 25,202 | 19,112 |
| Dividends received | 185,490 | 42,777 |
| Interest paid | (4,556) | (3,557) |
| Income tax paid | (696,558) | (541,957) |
| Net cash generated from operating activities | 2,922,045 | 3,299,026 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of available-for-sale financial assets | (2,958,397) | (3,964,415) |
| Proceeds of the disposal of available-for-sale financial assets | 4,280,110 | 4,288,263 |
| Acquisition of investments with no active market | - | (62,773) |

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2014** | **2013** |
| Proceeds of the disposal of investments with no active market | $ 193,205 | $ - |
| Acquisition of investments accounted for using the equity method | (18,095) | - |
| Proceeds of the disposal of investments accounted for using the equity method | 1,407 | 19,330 |
| Net cash flow from the acquisition of subsidiaries | - | (713,829) |
| Proceeds of the disposal of subsidiaries | - | 11,654 |
| Acquisition of property, plant and equipment | (1,058,730) | (1,110,894) |
| Proceeds of the disposal of property, plant and equipment | 7,479 | 76,251 |
| Increase in refundable deposits | (10,760) | (544) |
| Acquisition of intangible assets | (36,784) | (61,656) |
| Increase in prepayments for business facilities | (25,594) | (4,452) |
| Net cash generated from (used in) investing activities | 373,841 | (1,523,065) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term loans | 82,000 | (151,452) |
| Repayments of bonds | (2,400) | - |
| Cash dividends paid | (3,017,820) | (2,763,586) |
| Exercise of employee share options | 166,642 | 77,954 |
| Repayments of long-term borrowings | - | (69,532) |
| (Decrease) increase in guarantee deposits received | 713 | (205) |
| Increase (decrease) in noncontrolling interests | 37,653 | (3,595) |
| Net cash used in financing activities | (2,733,212) | (2,910,416) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (107,833) | 153,193 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 454,841 | (981,262) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 2,832,358 | 3,272,043 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 3,287,199 | $ 2,290,781 |

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

(With Deloitte & Touche review report dated November 7, 2014) (Concluded)

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

## 1. GENERAL INFORMATION

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

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

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

On June 26, 2014, the Company's board of directors resolved to have a whale-minnow merger with Netstar Technology Co., Ltd., 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 Technology Co., Ltd.

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on November 7, 2014.

## 3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDED AND INTERPRETATION

a. 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) in issue but not yet effective

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the 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 10 "Consolidated Financial Statements" | January 1, 2013 |
| IFRS 11 "Joint Arrangements" | January 1, 2013 |
| IFRS 12 "Disclosure of Interests in Other Entities" | January 1, 2013 |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" | January 1, 2013 |
| Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities" | January 1, 2014 |
| IFRS 13 "Fair Value Measurement" | January 1, 2013 |
| Amendment to IAS 1 "Presentation of Other Comprehensive Income" | July 1, 2012 |
| Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets" | January 1, 2012 |
| IAS 19 (Revised 2011) "Employee Benefits" | January 1, 2013 |
| IAS 27 (Revised 2011) "Separate Financial Statements" | January 1, 2013 |
| IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures" | January 1, 2013 |
| Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities" | January 1, 2014 |
| IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine" | January 1, 2013 |

(Concluded)

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

Except for the following, 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 Group's accounting policies:

1) IFRS 10 "Consolidated Financial Statements"

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

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

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

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

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

4) IFRS 13 “Fair Value Measurement”

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

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

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

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

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of the actuarial gains (loss) arising from defined benefit plans of associates accounted for using the equity method. 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 actuarial gains (loss) arising from defined benefit plans) of associates accounted for using the equity method.

6) IAS 19 “Employee Benefits”- Revision in 2013”

The amended IAS 19 states that if contributions from employees or third parties are not linked to service, these contributions affect the remeasurement of the net defined benefit liability (asset). If the contributions are linked solely to service, the employees’ service rendered in that period in which they are paid, these contributions may be recognized as a reduction of service cost in the same period. If the contributions depend on the number of years of service, an entity is required to attribute these contributions to service periods as a reduction of service cost. The anticipated impact of the retrospective application of IAS 19 is an increase of $45 thousand in pension costs and a decrease of $136 thousand in actuarial loss on defined benefit retirement plans for the three and nine months ended September 30, 2014, respectively.

7) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

In accordance with the amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group was continuing to assess other possible impacts that the application of the 2013 IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

| **New IFRSs** | **Effective Date Announced by IASB (Note 1)** |
|---|---|
| Annual Improvements to IFRSs 2010-2012 Cycle | July 1, 2014 (Note 2) |
| Annual Improvements to IFRSs 2011-2013 Cycle | July 1, 2014 |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 (Note 4) |
| IFRS 9 “Financial Instruments” | January 1, 2018 |
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures” | January 1, 2018 |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | January 1, 2016 (Note 3) |
| 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 |
| Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions” | July 1, 2014 |
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets” | January 1, 2014 |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting” | January 1, 2014 |
| IFRIC 21 “Levies” | January 1, 2014 |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after 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 would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

The impairment of financial assets

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

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

IAS 34 was amended to clarify that other disclosure information required by IAS 34 should be included in interim financial statements. If the Group includes the information in other statements (such as management commentary or risk report) issued at the same time, it is not required to repeat the disclosure in the interim financial statements. However, it is required to include a cross-reference from the interim financial statements to that issued statements that is available to users on the same terms and at the same time as the interim financial statements.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

1) Subsidiaries included in consolidated financial statements

| | | | % of Ownership | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Investee** | **Main Business** | **September 30, 2014** | **December 31, 2013** | **September 30, 2013** | **Remark** |
| Advantech Co., Ltd. | AAC (BVI) | Investment and management service | 100.00 | 100.00 | 100.00 | |
| | ATC | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | |
| | Advansus Corp. | Production and sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| | Advantech Corporate Investment (formerly named Advantech Investment Fund-A Co., Ltd.) | Investment holding company | 100.00 | 100.00 | 100.00 | a) |
| | AEUH | Investment and management service | 100.00 | 100.00 | 100.00 | |
| | ASG | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| | AAU | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| | AJP | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| | AMY | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| | AKR | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| | ABR | Sale of industrial automation products | 80.00 | 63.28 | 43.28 | a), f) |
| | ACA | Production and sale of portable industrial automation products | 100.00 | 100.00 | 99.36 | a) |
| | AIN | Sale of industrial automation products | 99.99 | 99.99 | 99.99 | a) |
| | AdvanPOS Technology Co., Ltd. | Production and sale of POS system | 64.03 | 64.47 | 70.19 | a), b) |
| | Advantech - LNC Technology Co., Ltd. | Production and sale of machine control solution | 89.93 | 100.00 | 99.97 | a), c) |

(Continued)

| Investor | Investee | Main Business | % of Ownership September 30, 2014 | % of Ownership December 31, 2013 | % of Ownership September 30, 2013 | Remark |
|---|---|---|---|---|---|---|
| | AMX | Sale of industrial automation products | 100.00 | - | - | a), f) |
| Advantech Corporate Investment | Netstar Technology Co., Ltd. | Production and sale of industrial automation products | - | 95.49 | 95.48 | e) |
| | AiST (formerly named Broadwin Technology Inc.) | Design, develop and sale of intelligent service | 100.00 | 100.00 | 100.00 | a) |
| | Cemate Technology Inc. | Manufacturing of electronic parts, computer, and peripheral devices | 55.00 | 55.00 | 55.00 | a) |
| ATC | ATC (HK) | Investment and management service | 100.00 | 100.00 | 100.00 | |
| ATC (HK) | AKMC | Production and sale of components of industrial automation products | 100.00 | 100.00 | 100.00 | |
| AAC (BVI) | ANA | Sale and fabrication of industrial automation products | 100.00 | 100.00 | 100.00 | |
| | AAC (HK) | Investment and management service | - | 100.00 | 100.00 | |
| ANA | ABR | Sale of industrial automation products | - | 16.72 | 16.72 | a), f) |
| | AMX | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a), f) |
| AAC (HK) | ACN | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | |
| | AiSC | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | |
| | AXA | Development and production of software products | 100.00 | 100.00 | 100.00 | |
| ACN | Hangzhou Advantofine Automation Co., Ltd. | Processing and sale of industrial automation products | 60.00 | 60.00 | 60.00 | |
| AEUH | AEU | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | |
| | APL | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| AEU | A-DLOG | Design, R&D and sale of industrial automation vehicles and related products | 100.00 | 100.00 | 100.00 | a) |
| | GPEG | Design, R&D and sale of gambling computer products | 100.00 | 100.00 | - | a), d) |
| ASG | ATH | Production of computers | 51.00 | 51.00 | 51.00 | a) |
| | AID | Sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |
| Cermate Technology Inc. | Land Mark | General investment | 100.00 | 100.00 | 100.00 | a) |
| Land Mark | Cermate (Shanghai) | Sale of industrial electronic equipments | 100.00 | 100.00 | 100.00 | a) |
| | Cermate (Shenzhen) | Production of LCD touch panel, USB cable, and industrial computer | 90.00 | 90.00 | 90.00 | a) |
| AdvanPOS Technology Co., Ltd. | Bright Mind Ltd. | General investment | 100.00 | 100.00 | 100.00 | a) |
| Bright Mind Ltd. | AdvanPOS Technology Shanghai Co., Ltd. | Production and sale of POS system | 100.00 | 100.00 | 100.00 | a) |
| Advantech - LNC Technology Co., Ltd. | Better Auto Holdings Ltd. | General investment | 100.00 | 100.00 | 100.00 | a) |
| Better Auto Holdings Ltd. | Famous Now Limited | General investment | 100.00 | 100.00 | 100.00 | a) |
| Famous Now Limited | Dongguan Pou Yuen Digital Technology Co., Ltd. | Production and sale of industrial automation products | 100.00 | 100.00 | 100.00 | a) |

(Concluded)

Remark (a): Not significant subsidiaries and their financial statements had not been reviewed.

Remark (b): In the third quarter of 2013, the Company had acquired 70.19% equity of AdvanPOS Technology Co., Ltd., which was recognized as a consolidated entity as of December 31, 2013. AdvanPOS Technology Co., Ltd. issued common shares for the exercise of employee share options, decreasing the Company's shareholding ratio to 64.03% in September 2014.

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

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

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

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

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

c. Other significant accounting policies

Except for the following, the same critical accounting policies of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

1) Retirement benefit costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

2) Income taxes

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

## 6. CASH AND CASH EQUIVALENTS

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Cash on hand | $ 30,129 | $ 73,474 | $ 88,800 |
| Checking accounts and demand deposits | 2,143,286 | 2,233,909 | 1,925,876 |
| Time deposits with original maturities less than three months | 1,113,784 | 524,975 | 276,105 |
| | $ 3,287,199 | $ 2,832,358 | $ 2,290,781 |

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

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Financial assets held for trading - current | | | |
| Derivative | | | |
| Forward exchange contracts | $ 36,244 | $ 2,723 | $ 7,498 |
| Nonderivative | | | |
| Domestic quoted shares | 92,282 | - | - |
| Foreign quoted shares | 4,183 | - | - |
| | $ 132,709 | $ 2,723 | $ 7,498 |
| Financial liabilities held for trading - current | | | |
| Derivative | | | |
| Forward exchange contracts | $ 3,226 | $ 23,722 | $ 11,463 |

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) |
|---|---|---|---|
| September 30, 2014 | | | |
| Sell | USD/NTD | 2014.10-2014.12 | USD8,000/NTD240,062 |
| | EUR/USD | 2014.10 | EUR500/USD687 |
| | EUR/NTD | 2014.10-2015.03 | EUR14,000/NTD571,777 |
| | JPY/NTD | 2014.10-2015.01 | JPY170,000/NTD49,974 |
| 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 |

(Continued)

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---|---|---|---|
| September 30, 2013 | | | |
| Sell | USD/NTD | 2013.10-2014.01 | USD21,812/NTD651,771 |
| | EUR/USD | 2013.10-2014.04 | EUR6,500/USD8,621 |
| | EUR/NTD | 2013.10-2014.03 | EUR11,000/NTD432,851 |
| | JPY/USD | 2013.10-2013.11 | JPY20,000/USD204 |
| | JPY/NTD | 2013.10-2014.02 | JPY200,000/NTD60,029 |

(Concluded)

The Company entered into forward exchange contracts during the nine months ended September 30, 2014 and 2013 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | September 30, 2014 | | December 31, 2013 | | September 30, 2013 | |
|---|---|---|---|---|---|---|
| | Current | Noncurrent | Current | Noncurrent | Current | Noncurrent |
| Domestic investments | | | | | | |
| Mutual funds | $ 763,272 | $ - | $ 2,056,368 | $ - | $ 1,360,068 | $ - |
| Quoted shares | | | | | | |
| Chunghwa Telecom Co., Ltd. | - | - | 46,080 | 115,782 | 46,872 | 117,772 |
| ASUSTek Computer Inc. | - | 1,519,444 | - | 1,404,176 | - | 1,211,992 |
| Pegatron Corp. | - | 451,112 | - | 309,334 | - | 339,945 |
| AVer Information Inc. | - | - | - | - | 16,450 | - |
| Taiwan 50 | - | - | 9,979 | - | 9,707 | - |
| Taiwan Hon Chuan Enterprise Co., Ltd. | 140,000 | - | - | - | - | - |
| Inotera Memories, Inc. | - | - | - | - | 4,950 | - |
| Unlisted shares | | | | | | |
| BroadTec System Inc. | - | 1,500 | - | 1,500 | - | - |
| BioSenseTek Corp | - | 375 | - | 375 | - | - |
| Foreign investments | | | | | | |
| Unquoted foreign shares | | | | | | |
| Coban Research and Technologies, Inc. (US$1,020 thousand in September 30, 2014, December 31, 2013 and September 30, 2013) | - | 33,257 | - | 33,257 | - | 33,257 |
| | $ 903,272 | $ 2,005,688 | $ 2,112,427 | $ 1,864,424 | $ 1,438,047 | $ 1,702,966 |

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

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stocks, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. As of September 30, 2014 and 2013, the stocks held in trust amounted to $1,475,100 thousand and $1,434,747 thousand, respectively. Refer to Table 3 for more information. On the transactions, the Group recognized gains of $90 thousand and $1,512 thousand during the periods of nine months ended September 30, 2014 and 2013, respectively. These gains were recorded under other nonoperating income.

## 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Time deposits with original maturities of more than three months | $ 375,598 | $ 568,803 | $ 486,201 |

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Notes receivable | $ 935,921 | $ 749,529 | $ 662,405 |
| Trade receivables | $ 5,452,624 | $ 4,894,370 | $ 4,536,340 |
| Less: Allowance for impairment loss | (139,276) | (140,802) | (118,887) |
| | $ 5,313,348 | $ 4,753,568 | $ 4,417,453 |

a. Trade receivables

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

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

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| 31 to 60 days | $ 93,569 | $ 102,869 | $ 72,399 |
| 61 to 90 days | 59,906 | 50,581 | 63,611 |
| | $ 153,475 | $ 153,450 | $ 136,010 |

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

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

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2014 | 2013 |
| Balance at January 1 | $ 140,802 | $ 84,588 |
| Impairment losses recognized from business combination | - | 23,568 |
| Add: Impairment losses recognized on receivables | 3,183 | 16,274 |
| Deduct: Amounts written off as uncollectible | (3,788) | (4,866) |
| Foreign exchange translation gains and losses | (921) | (677) |
| Balance at September 30 | $ 139,276 | $ 118,887 |

## 11. INVENTORIES

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Raw materials | $ 1,679,493 | $ 1,706,136 | $ 1,727,059 |
| Work in process | 988,858 | 656,018 | 747,840 |
| Finished goods | 1,666,962 | 1,145,321 | 1,216,100 |
| Inventories in transit | 386,890 | 523,182 | 260,363 |
| | $ 4,722,203 | $ 4,030,657 | $ 3,951,362 |

The costs of inventories recognized as cost of goods sold included inventory write-downs, inventory shortage, and loss on inventory disposal of (a) $5,751 thousand, $628 thousand, and $31,048 thousand, respectively, for the three months ended September 30, 2014 and (b) $87,932 thousand, $4,611 thousand, and $1,321 thousand, respectively, for the three months ended September 30, 2013. Inventory write-downs, inventory shortage, and loss on inventory disposal of were (a) $71,822 thousand, $853 thousand, and $66,356 thousand, respectively, for the nine months ended September 30, 2014 and (b) $111,662 thousand, $4,893 thousand, and $48,624 thousand, respectively, for the nine months ended September 30, 2013.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associates

| | September 30, 2014 | | December 31, 2013 | | September 30, 2013 | |
|---|---|---|---|---|---|---|
| Name of Investee | Carrying Value | Percentage of Equity Ownership | Carrying Value | Percentage of Equity Ownership | Carrying Value | Percentage of Equity Ownership |
| Listed companies | | | | | | |
| Axiomtek Co., Ltd. | $ 396,950 | 26.30 | $ 363,653 | 26.45 | $ 381,327 | 28.21 |
| Unlisted companies | | | | | | |
| Deneng Scientific Research Co., Ltd. | 18,336 | 39.69 | - | - | - | - |
| Jan Hsiang Electronics Co., Ltd. | 10,166 | 28.50 | 7,444 | 28.50 | 6,623 | 28.50 |
| GPEG K&M Ltd. | - | - | 31,336 | 25.00 | - | - |
| | $ 425,452 | | $ 402,433 | | $ 387,950 | |

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

In June 2014, the Group sold 25% of its interest in GPEG K&M Ltd. for proceeds of $1,407 thousand (₤28 thousand) and thus ceased to have significant influence over this investee.

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

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Axiomtek Co., Ltd. | $ 1,558,833 | $ 1,152,181 | $ 830,441 |

## 13. PROPERTY, PLANT, AND EQUIPMENT

| | Freehold Land | Buildings | Equipment | Office Equipment | Other Facilities | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2013 | $ 2,818,523 | $ 2,902,510 | $ 1,158,555 | $ 536,207 | $ 838,366 | $ 460,970 | $ 8,715,131 |
| Additions | - | 3,130 | 25,127 | 54,631 | 66,975 | 961,031 | 1,110,894 |
| Disposals | (17,089) | (7,785) | (16,784) | (10,039) | (6,391) | (1,571) | (59,659) |
| Acquisitions through business combinations | 109,686 | 113,362 | 86,003 | 13,724 | 10,614 | - | 333,389 |
| Reclassifications | - | (143) | 9,125 | 5,124 | (10,361) | (3,883) | (138) |
| Effect of exchange differences | 3,452 | 50,274 | 14,898 | 9,280 | 12,656 | 10,920 | 101,480 |
| Balance at September 30, 2013 | $ 2,914,572 | $ 3,061,348 | $ 1,276,924 | $ 608,927 | $ 911,859 | $ 1,427,467 | $ 10,201,097 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2013 | $ - | $ 641,712 | $ 749,100 | $ 375,528 | $ 557,155 | $ - | $ 2,323,495 |
| Disposals | - | (4,524) | (7,224) | (7,709) | (5,677) | - | (25,134) |
| Depreciation expense | - | 69,994 | 89,737 | 45,688 | 66,891 | - | 272,310 |
| Acquisition through business combination | - | 20,781 | 49,809 | 11,408 | 5,760 | - | 87,758 |
| Reclassifications | - | - | (16) | 6,825 | (26,976) | - | (20,167) |
| Effect of exchange differences | - | 11,694 | 6,639 | 6,323 | 8,575 | - | 33,231 |
| Balance at September 30, 2013 | $ - | $ 739,657 | $ 888,045 | $ 438,063 | $ 605,728 | $ - | $ 2,671,493 |
| Carrying amounts at September 30, 2013 | $ 2,914,572 | $ 2,321,691 | $ 388,879 | $ 170,864 | $ 306,131 | $ 1,427,467 | $ 7,529,604 |
| Cost | | | | | | | |
| Balance at January 1, 2014 | $ 2,916,539 | $ 3,068,828 | $ 1,300,425 | $ 641,145 | $ 940,524 | $ 1,821,226 | $ 10,688,687 |
| Additions | 165,222 | 71,411 | 89,208 | 81,992 | 153,436 | 529,273 | 1,090,542 |
| Disposals | - | - | (19,039) | (14,926) | (30,278) | - | (64,243) |
| Reclassifications | 13,248 | 2,108,342 | 139,377 | 36,974 | 189,549 | (2,308,058) | 179,432 |
| Effect of exchange differences | 609 | 14,829 | 1,359 | (2,388) | 4,937 | (5,931) | 13,415 |
| Balance at September 30, 2014 | $ 3,095,618 | $ 5,263,410 | $ 1,511,330 | $ 742,797 | $ 1,258,168 | $ 36,510 | $ 11,907,833 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2014 | $ - | $ 758,190 | $ 914,897 | $ 456,049 | $ 617,872 | $ - | $ 2,747,008 |
| Disposals | - | - | (16,642) | (15,123) | (21,692) | - | (53,457) |
| Depreciation expense | - | 95,883 | 96,391 | 60,623 | 110,419 | - | 363,316 |
| Reclassifications | - | - | 20,011 | (33,613) | 34,233 | - | 20,631 |
| Effect of exchange differences | - | 54 | 336 | 737 | 311 | - | 1,438 |
| Balance at September 30, 2014 | $ - | $ 854,127 | $ 1,014,993 | $ 468,673 | $ 741,143 | $ - | $ 3,078,936 |
| Carrying amounts at January 1, 2014 | $ 2,916,539 | $ 2,310,638 | $ 385,528 | $ 185,096 | $ 322,652 | $ 1,821,226 | $ 7,941,679 |
| Carrying amounts at September 30, 2014 | $ 3,095,618 | $ 4,409,283 | $ 496,337 | $ 274,124 | $ 517,025 | $ 36,510 | $ 8,828,897 |

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

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

Refer to Note 30 for the carrying amount of property, plant and equipment pledged by the Group to secure its borrowings.

## 14. GOODWILL

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2014 | 2013 |
| Cost | | |
| Balance at January 1 | $ 1,265,658 | $ 632,181 |
| Acquisition through business combination (Note 25) | - | 451,576 |
| Derecognized on disposal of a subsidiary (Note 26) | - | (6,279) |
| Effect of exchange differences | (17,950) | 10,620 |
| Balance at September 30 | $ 1,247,708 | $ 1,088,098 |

## 15. PREPAYMENTS FOR LEASE OBLIGATION

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Current assets (included in other current assets) | $ 2,526 | $ 3,556 | $ 2,462 |
| Noncurrent assets | 94,152 | 94,416 | 94,228 |
| | $ 96,678 | $ 97,972 | $ 96,690 |

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

## 16. BORROWINGS

a. Short term borrowings

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Secured borrowings | | | |
| Bank loans | $ - | $ 97,797 | $ - |
| Unsecured borrowings | | | |
| Line of credit borrowings | 205,144 | 25,347 | - |
| | $ 205,144 | $ 123,144 | $ - |

The range of annual weighted average effective interest rates were 0.80% to 1.26% and 1.18% as of September 30, 2014 and December 31, 2013.

b. Long-term borrowings

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Secured borrowings | | | |
| Bank loans | $ - | $ - | $ 133,400 |
| Less: Current portion | - | - | (113,400) |
| Long-term borrowings | $ - | $ - | $ 20,000 |

AdvanPOS Technology Co., Ltd. ("AdvanPOS"), a subsidiary of the Company, obtained a mortgage bank loans for the acquisition of land and building. These loans were repayable every month at various amounts two or three years after the origination date. The loan period is from May 22, 2012 to May 22, 2032. As of September 30, 2013, the interest rate on the bank loans ranged from 1.82% to 1.85%. AdvanPOS had repaid its bank loans in advance because it had sufficient funds and had no new financing needs.

## 17. BONDS PAYABLE

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Unsecured domestic convertible bonds | $ - | $ 18,500 | $ 85,300 |
| Less: Unamortized discount on bonds payable | - | (152) | (1,151) |
| Less: Current portion | - | (18,348) | (84,149) |
| | $ - | $ - | $ - |

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

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

## 18. OTHER LIABILITIES

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Other payables | | | |
| Salaries or bonuses payable | $ 1,758,841 | $ 1,790,658 | $ 1,401,497 |
| Payable for royalties | 47,355 | 88,992 | 84,568 |
| Payable for employee benefits | 118,877 | 110,196 | 100,746 |
| Others | 977,776 | 919,544 | 850,831 |
| | $ 2,902,849 | $ 2,909,390 | $ 2,437,642 |

Payables for employee benefits consisted of accruals of employee annual holidays and non-monetary benefits for long-term services.

## 19. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in the following line items in their respective periods:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Operating cost | $ 387 | $ 246 | $ 928 | $ 846 |
| Marketing expenses | $ 202 | $ 206 | $ 575 | $ 605 |
| Administration expenses | $ 414 | $ 330 | $ 1,091 | $ 837 |
| Research and development expenses | $ 566 | $ 551 | $ 1,584 | $ 1,721 |

## 20. EQUITY

a. Share capital

Ordinary shares

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Number of shares authorized (in thousands) | 800,000 | 600,000 | 600,000 |
| Amount of shares authorized | $ 8,000,000 | $ 6,000,000 | $ 6,000,000 |
| Number of shares issued and fully paid (in thousands) | 630,103 | 569,400 | 566,925 |
| Amount of shares issued | $ 6,301,031 | $ 5,694,000 | $ 5,669,249 |

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

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares and conversion of bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to share capital once a year within a certain percentage of the Company's capital surplus.

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

c. Retained earnings and dividend policy

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

1) 1% to 20% as bonus to employees;

2) 1% or less as remuneration to directors and supervisors; and

3) Dividends, as proposed by the board of directors.

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

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 nine months ended September 30, 2014 and 2013, the bonuses to employees and remunerations to directors and supervisors were $57,000 thousand and $54,000 thousand (included in other payables), respectively. These amounts were estimated and accrued on the basis of past experience. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimates. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of at the share bonus by the fair value of the shares. The fair value of the shares refers to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

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

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

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

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

| | Appropriation of Earnings | | Dividends Per Share (Dollars) | |
|---|---|---|---|---|
| | **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 | |
|---|---|---|
| | **2013** | **2012** |
| Bonus to employees | $ 70,000 | $ 60,000 |
| Remuneration to directors and supervisors | 12,000 | 12,000 |

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.

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

d. Other equity items

1) Foreign currency translation reserve

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2014 | 2013 |
| Balance at January 1 | $ 130,041 | $ (104,345) |
| Exchange differences on translating the net assets of foreign operations | 36,411 | 158,514 |
| Income tax relating to gains arising on translating the net assets of foreign operations | (6,266) | (27,367) |
| Share of exchange difference of associates accounted for using the equity method | 449 | 2,470 |
| Balance at September 30 | $ 160,635 | $ 29,272 |

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

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

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2014 | 2013 |
| Balance at January 1 | $ (75,534) | $ 168,944 |
| Unrealized gain (loss) on revaluation of available-for-sale financial assets | 249,541 | (363,930) |
| Cumulative gain (loss) reclassified to profit or loss on disposal of available-for-sale financial assets | (35,505) | (62,541) |
| Balance at September 30 | $ 138,502 | $ (257,527) |

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

e. Noncontrolling interests

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2014 | 2013 |
| Balance at January 1 | $ 161,891 | $ 107,891 |
| Attributable to noncontrolling interests: | | |
| Share of profit for the period | 17,643 | 18,127 |
| Exchange difference on translation of foreign entities | (6,333) | (4,698) |
| Acquisition of noncontrolling interests in subsidiaries (Note 25) | - | 44,487 |
| Acquisition of noncontrolling interests in subsidiaries (Note 27) | (13,566) | (2,211) |
| Disposal of noncontrolling interests in subsidiaries (Note 27) | 27,868 | - |
| Balance at September 30 | $ 187,503 | $ 163,596 |

## 21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Interest on bank overdrafts and loans | $ 1,606 | $ 282 | $ 3,988 | $ 3,926 |
| Interest on convertible bonds | - | 589 | 21 | 2,393 |
| | $ 1,606 | $ 871 | $ 4,009 | $ 6,319 |

b. Depreciation and amortization

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Property, plant and equipment | $ 142,433 | $ 92,599 | $ 363,316 | $ 272,310 |
| Intangible assets | 28,834 | 18,670 | 78,443 | 73,041 |
| | $ 171,267 | $ 111,269 | $ 441,759 | $ 345,351 |
| An analysis of depreciation by function | | | | |
| Operating costs | $ 31,906 | $ 33,841 | $ 91,445 | $ 87,484 |
| Operating expenses | 110,527 | 58,758 | 271,871 | 184,826 |
| | $ 142,433 | $ 92,599 | $ 363,316 | $ 272,310 |
| An analysis of amortization by function | | | | |
| Operating costs | $ 741 | $ 881 | $ 2,471 | $ 3,112 |
| Operating expenses | 28,093 | 17,789 | 75,972 | 69,929 |
| | $ 28,834 | $ 18,670 | $ 78,443 | $ 73,041 |

c. Employee benefit expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Post-employment benefits | | | | |
| Defined contribution plans | $ 65,932 | $ 48,774 | $ 185,542 | $ 149,439 |
| Defined benefit plans (Note 19) | 1,569 | 1,333 | 4,178 | 4,009 |
| | 67,501 | 50,107 | 189,720 | 153,448 |
| Other employee benefits | 1,857,025 | 1,587,423 | 5,251,529 | 4,503,354 |
| Total employee benefit expense | $ 1,924,526 | $ 1,637,530 | $ 5,441,249 | $ 4,656,802 |
| An analysis of employee benefits expense by function | | | | |
| Operating costs | $ 482,381 | $ 335,772 | $ 1,230,136 | $ 965,647 |
| Operating expenses | 1,442,145 | 1,301,758 | 4,211,113 | 3,691,155 |
| | $ 1,924,526 | $ 1,637,530 | $ 5,441,249 | $ 4,656,802 |

## 22. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Current tax | | | | |
| Current period | $ 264,447 | $ 280,768 | $ 756,576 | $ 689,284 |
| Income tax expense for unappropriated earnings | - | - | 10,854 | 89,787 |
| In respect of prior periods | (10,738) | - | (10,738) | - |
| | 253,709 | 280,768 | 756,692 | 779,071 |
| Deferred tax | | | | |
| Current period | 16,648 | 22,570 | 72,081 | 20,883 |
| Income tax expense recognized in profit or loss | $ 270,357 | $ 303,338 | $ 828,773 | $ 799,954 |

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Deferred tax | | | | |
| Current period | | | | |
| Translation of foreign operations | $ (15,989) | $ 10,053 | $ (6,266) | $ (27,367) |

c. Integrated income tax

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Unappropriated earnings | | | |
| Unappropriated earnings generated on and after January 1, 1998 | $ 5,128,855 | $ 5,452,733 | $ 4,469,845 |
| Imputation credits accounts | $ 195,203 | $ 523,985 | $ 173,107 |

The creditable ratios for the distribution of the earnings of 2013 and 2012 were 13.42% and 10.88%, respectively.

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

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

d. Income tax assessments

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

## 23. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Basic earnings per share | $ 2.10 | $ 1.77 | $ 5.85 | $ 4.96 |
| Diluted earnings per share | $ 2.09 | $ 1.76 | $ 5.82 | $ 4.92 |

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

| | Before Adjusted Retrospectively | | After Adjusted Retrospectively | |
|---|---|---|---|---|
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Basic earnings per share | $ 1.95 | $ 5.45 | $ 1.77 | $ 4.96 |
| Diluted earnings per share | $ 1.94 | $ 5.41 | $ 1.76 | $ 4.92 |

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

**Net Profit for the Period**

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Earnings used in the computation of basic earnings per share | $ 1,319,749 | $ 1,104,256 | $ 3,674,337 | $ 3,083,216 |
| Effect of dilutive potential ordinary shares: | | | | |
| Convertible bonds | - | 589 | 21 | 2,393 |
| Employee share options | - | 3,768 | - | 13,702 |
| Earnings used in the computation of diluted earnings per share | $ 1,319,749 | $ 1,108,613 | $ 3,674,358 | $ 3,099,311 |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Weighted average number of ordinary shares in computation of basic earnings per share | 629,081 | 623,097 | 628,232 | 622,216 |
| Effect of dilutive potential ordinary shares: | | | | |
| Convertible bonds | - | 1,488 | 24 | 2,020 |
| Employee share options | 2,217 | 4,831 | 2,865 | 5,027 |
| Bonuses issued to employees | 252 | 280 | 458 | 280 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 631,550 | 629,696 | 631,579 | 629,543 |

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

## 24. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 5,000 thousand options in August 2014, 3,000 thousand options in July 2010, and 10,000 thousand options in December 2009. Each option entitles the holder to subscribe for one thousand common shares of the Company. The holders of these shares include employees whom meet certain criteria from the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 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 September 30, 2014 and 2013 is as follows:

| | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| **Employee Share Options** | **Number of Options (In Thousands)** | **Weighted-average Exercise Price (NT$)** | **Number of Options (In Thousands)** | **Weighted-average Exercise Price (NT$)** |
| Balance at January 1 | 5,300 | $ 48.80 | 8,450 | $ 50.46 |
| Options granted | 5,000 | 100.00 | - | - |
| Options exercised | (3,550) | 46.94 | (1,559) | 50.00 |
| Balance at September 30 | 6,750 | 85.71 | 6,891 | 48.68 |
| Options exercisable, end of the period | 1,750 | 44.88 | 6,891 | 48.68 |
| Weighted-average fair value of options granted (NT$) | $16.45-$150.16 | | $16.45-$20.25 | |

Information on outstanding options for the nine months ended September 30, 2014 and 2013 is as follows:

| | For the Nine Months September 30 | | | |
|---|---|---|---|---|
| | 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 | 5.61 | $ - | - |
| Issuance in 2010 | 48.30 | 0.78 | 54.20 | 1.78 |
| Issuance in 2009 | 41.60 | 0.17 | 46.70 | 1.17 |

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

| | |
|---|---|
| Grant-date share price (NT$) | 239.5 |
| Exercise price (NT$) | 100 |
| Expected volatility | 28.28%-29.19% |
| Expected life (years) | 4-5.5 |
| Expected dividend yield | 0% |
| Risk-free interest rate | 1.07%-1.30% |

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

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

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

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

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

Compensation costs recognized were $45,924 thousand and $16,508 thousand for the nine months ended September 30, 2014 and 2013.

## 25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

| | **Principal Activity** | **Date of Acquisition** | **Proportion of Voting Equity Interests Acquired (%)** | **Consideration Transferred** |
|---|---|---|---|---|
| Advantech - LNC Technology Co., Ltd. | Production and sale of Machine control solution | August 30, 2013 | 99.97 | $ 729,787 |
| AdvanPOS Technology Co., Ltd. | Production and sale of POS system | July 31, 2013 | 70.19 | $ 319,461 |

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

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

b. Considerations transferred

| | For the Nine Months Ended September 30, 2013 | |
|---|---|---|
| | Advantech - LNC Technology Co., Ltd. | AdvanPOS Technology Co., Ltd. |
| Cash | $ 729,787 | $ 319,461 |

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

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

| | For the Nine Months Ended September 30, 2013 | |
|---|---|---|
| | Advantech - LNC Technology Co., Ltd. | AdvanPOS Technology Co., Ltd. |
| Current assets | | |
| Cash and cash equivalents | $ 250,638 | $ 84,781 |
| Notes receivable | 40,541 | 2,592 |
| Trade receivables | 110,266 | 26,703 |
| Inventories | 134,261 | 77,983 |
| Other receivables | 13,607 | 4,290 |
| Other current assets | 15,701 | 7,877 |
| Noncurrent assets | | |
| Plant and equipment | 33,391 | 212,240 |
| Other noncurrent assets | 3,004 | 1,803 |
| Current liabilities | | |
| Trade and other payables | (99,871) | (67,748) |
| Tax liabilities | (916) | - |
| Other current liabilities | (7,192) | (1,792) |
| Noncurrent liabilities | | |
| Long-term borrowings | - | (200,000) |
| | 493,430 | 148,729 |
| Percentage of equity interest acquired | 99.97% | 70.19% |
| Net amount | $ 493,282 | $ 104,393 |

d. Goodwill arising on acquisition

| | For the Nine Months Ended September 30, 2013 | |
|---|---|---|
| | **Advantech - LNC Technology Co., Ltd.** | **AdvanPOS Technology Co., Ltd.** |
| Consideration transferred | $ 729,787 | $ 319,461 |
| Add: Noncontrolling interest (0.03% equity in Advantech - LNC Technology Co., Ltd.) | 151 | - |
| Add: Noncontrolling interest (29.81% equity in AdvanPOS Technology Co., Ltd.) | - | 44,336 |
| Less: Fair value of identifiable net assets acquired | (493,430) | (148,729) |
| Goodwill arising on acquisition | $ 236,508 | $ 215,068 |

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

e. Net cash outflow on acquisition of subsidiaries

| | **For the Nine Months Ended September 30, 2013** |
|---|---|
| Consideration paid in cash | $ 1,049,248 |
| Less: Cash and cash equivalent balances acquired | (335,419) |
| | $ 713,829 |

f. Impact of acquisitions on the results of the Group

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

| | **For the Nine Months Ended September 30, 2013** |
|---|---|
| Revenue | |
| Advantech - LNC Technology Co., Ltd. | $ 31,045 |
| AdvanPOS Technology Co., Ltd. | $ 60,086 |
| Profit (loss) | |
| Advantech - LNC Technology Co., Ltd. | $ (1,717) |
| AdvanPOS Technology Co., Ltd. | $ (1,246) |

## 26. DISPOSAL OF SUBSIDIARIES

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

a. Consideration received from the disposal

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

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

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

c. Loss on disposal of subsidiary

| | For the Nine Months Ended September 30, 2013 |
|---|---|
| Consideration received | $ 13,500 |
| Net assets disposed of | (11,702) |
| Goodwill | (6,279) |
| Unrealized gains (losses) on available-for-sale financial assets reclassified from equity to profit or loss on loss of control of subsidiary | 109 |
| Loss on disposal | $ (4,372) |

d. Net cash inflow on disposal of subsidiary

| | For the Nine Months Ended September 30, 2013 |
|---|---|
| Consideration received in cash and cash equivalents | $ 13,500 |
| Less: Cash and cash equivalents disposed of | (1,846) |
| | $ 11,654 |

## 27. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

a. As of September 30, 2014 and 2013, the Group acquired an additional 4.51% and 1.20% interest in Netstar Technology Service, increasing its interest from 95.49% to 100% and 94.28% to 95.48%, respectively. The Company had merged with Netstar Technology Co., Ltd. at the end of the third quarter.

b. In the first quarter of 2014, the Company disposed 10.27% of its holding of shares of Advantech-LNC Technology Co., Ltd. ("ALTC") and distributed these shares to ALTC's employees; in the second and third quarters of 2014, the Company purchased 0.14% and 0.06%, respectively, of ALTC's outstanding shares. These share transactions resulted in a decrease in the Company's equity in ALTC from 100% to 89.93%.

c. AdvanPOS Technology Co., Ltd. issued ordinary shares for the exercise of employee share options, decreasing the Group's holding interest from 70.19% to 64.03%.

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2014 | 2013 |
| Cash consideration paid | $ 37,653 | $ (3,595) |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests | (14,302) | 2,211 |
| Differences arising from equity transaction | $ 23,351 | $ (1,384) |
| Line items adjusted for equity transaction | | |
| Unappropriated retained earnings | $ (355) | $ (1,384) |
| Capital surplus - difference between consideration and carrying amount of subsidiaries disposed | $ 23,706 | $ - |

## 28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

| | September 30, 2014 | | December 31, 2013 | | September 30, 2013 | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial liabilities | | | | | | |
| Financial liabilities measured at amortized cost | | | | | | |
| Convertible bonds | $ - | $ - | $ 18,348 | $ 49,656 | $ 84,149 | $ 182,892 |

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).

September 30, 2014

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss (FVTPL) | | | | |
| Derivative financial assets | $ - | $ 36,244 | $ - | $ 36,244 |
| Non-derivative financial asset held for trading | 96,465 | - | - | 96,465 |
| | $ 96,465 | $ 36,244 | $ - | $ 132,709 |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | $ 2,110,556 | $ - | $ - | $ 2,110,556 |
| Unlisted securities - ROC | | | | |
| Equity securities | - | - | 1,875 | 1,875 |
| Unlisted securities - other countries | | | | |
| Equity securities | - | - | 33,257 | 33,257 |
| Mutual funds | 763,272 | - | - | 763,272 |
| | $ 2,873,828 | $ - | $ 35,132 | $ 2,908,960 |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | $ - | $ 3,226 | $ - | $ 3,226 |

December 31, 2013

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

September 30, 2013

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | $ - | $ 7,498 | $ - | $ 7,498 |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | $ 1,747,688 | $ - | $ - | $ 1,747,688 |
| Unlisted securities - other countries | | | | |
| Equity securities | - | - | 33,257 | 33,257 |
| Mutual funds | 1,360,068 | - | - | 1,360,068 |
| | $ 3,107,756 | $ - | $ 33,257 | $ 3,141,013 |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | $ - | $ 11,463 | $ - | $ 11,463 |

As of September 30, 2014 and 2013, there were no transfers between Levels 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. The estimates and assumptions used by the Group were consistent with those that market participants would use in setting a price for the financial instrument.

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

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

b. Categories of financial instruments

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
| --- | --- | --- | --- |
| Financial assets | | | |
| Fair value through profit or loss (FVTPL) | | | |
| Held for trading | $ 132,709 | $ 2,723 | $ 7,498 |
| Loans and receivables (Note 1) | 9,938,224 | 8,935,573 | 7,901,317 |
| Available-for-sale financial assets (Note 2) | 2,908,960 | 3,976,851 | 3,141,013 |
| Financial liabilities | | | |
| Fair value through profit or loss (FVTPL) | | | |
| Held for trading | 3,266 | 23,722 | 11,463 |
| Measured at amortized cost (Note 3) | 6,667,224 | 6,156,944 | 5,339,287 |

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

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

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 32. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

<u>Sensitivity analysis</u>

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

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

| | U.S. Dollar Impact | | Euro Impact | | Renminbi Impact | |
|---|---|---|---|---|---|---|
| | For the Nine Months Ended September 30 | | For the Nine Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Profit or loss | $ (11,306) (Note 1) | $ 18,672 (Note 1) | $ 66,865 (Note 2) | $ 12,445 (Note 2) | $ 974 (Note 3) | $ (37,919) (Note 3) |

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

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

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

b) Interest rate risk

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

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

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

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Fair value interest rate risk | | | |
| Financial assets | $ 1,508,032 | $ 1,203,088 | $ 871,616 |
| Financial liabilities | 200,144 | 347 | - |
| Cash flow interest rate risk | | | |
| Financial assets | 1,925,538 | 2,115,055 | 1,696,850 |
| Financial liabilities | 5,000 | 122,797 | 133,400 |

Sensitivity analysis

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

Had interest rates been 50 basis points higher and all other variables had been held constant, the Group's pre-tax profit for the nine months ended September 30, 2014 and 2013 would have increased by $7,202 thousand and $5,863 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

Sensitivity analysis

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

Had equity prices been 1% higher, pre-tax profits for the nine months ended September 30, 2014 would have increased by $965 thousand as a result of changes in fair value of held-for-trading investments. Pre-tax other comprehensive gains for the nine months ended September 30, 2014 and 2013 would have increased by $28,738 thousand and $31,078 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2014, December 31, 2013 and September 30, 2013, the Group had available unutilized overdraft and short-term bank loan facilities of approximately $3,133,473 thousand, $3,416,360 thousand, and $3,348,452 thousand, respectively.

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

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

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

September 30, 2014

| Non-derivative financial liabilities | Weighted Average Effective Interest Rate (%) | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|---|---|---|---|
| Non-interest bearing | | $ 4,252,045 | $ 1,463,386 | $ 650,345 | $ 96,281 |
| Variable interest rate liabilities | 0.5-1.18 | 5,003 | - | - | - |
| Fixed interest rate liabilities | 0.8, 1.26 | 200,032 | 24 | 108 | - |
| | | $ 4,457,080 | $ 1,463,410 | $ 650,453 | $ 96,281 |

December 31, 2013

| Non-derivative financial liabilities | Weighted Average Effective Interest Rate (%) | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|---|---|---|---|
| Non-interest bearing | | $ 3,654,211 | $ 1,554,717 | $ 719,123 | $ 102,519 |
| Variable interest rate liabilities | 0.5-1.18 | 269 | 537 | 125,219 | - |
| Fixed interest rate liabilities | 0.8 | 29 | 58 | 262 | - |
| | | $ 3,654,509 | $ 1,555,312 | $ 844,604 | $ 102,519 |

September 30, 2013

| Non-derivative financial liabilities | Weighted Average Effective Interest Rate (%) | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|---|---|---|---|
| Non-interest bearing | | $ 2,908,146 | $ 1,389,543 | $ 901,996 | $ - |
| Variable interest rate liabilities | 1.82-1.85 | 113,444 | 61 | 273 | 25,824 |
| | | $ 3,021,590 | $ 1,389,604 | $ 902,269 | $ 25,824 |

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

b) The following tables shows the Group’s liquidity analysis of its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

September 30, 2014

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | Total |
|---|---|---|---|---|
| Gross settled | | | | |
| Foreign exchange forward contracts | | | | |
| Inflows | $ 244,290 | $ 498,090 | $ 140,338 | $ 882,718 |
| Outflows | 236,152 | 478,716 | 134,832 | 849,700 |
| | $ 8,138 | $ 19,374 | $ 5,506 | $ 33,018 |

December 31, 2013

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

September 30, 2013

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | Total |
|---|---|---|---|---|
| Gross settled | | | | |
| Forward exchange contracts | | | | |
| Inflows | $ 390,294 | $ 632,758 | $ 383,893 | $ 1,406,945 |
| Outflows | 390,784 | 634,075 | 386,051 | 1,410,910 |
| | $ (490) | $ (1,317) | $ (2,158) | $ (3,965) |

## 29. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

| Related Party | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Associates | $ 13,806 | $ 7,598 | $ 71,067 | $ 57,825 |
| Other related parties | 44 | - | 221 | - |
| | $ 13,850 | $ 7,598 | $ 71,288 | $ 57,825 |

b. Purchases of goods

| Related Party | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Associates | $ 7,906 | $ 5,955 | $ 20,401 | $ 14,441 |

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

| Related Party | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Associates | $ 9,072 | $ 6,579 | $ 6,180 |

The outstanding trade receivables from related parties are unsecured. As of September 30, 2014, December 31, 2013, and September 30, 2013, the Group had no bad-debt expenses recognized for trade receivables from related parties.

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

| Accounts | Related Party | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|---|
| Accounts payable | Associates | $ 1,355 | $ 1,784 | $ 2,546 |
| | Other related parties | 311 | - | - |
| | | $ 1,666 | $ 1,784 | $ 2,546 |

The outstanding trade payables from related parties are unsecured.

e. Acquire property, plant and equipment

| Related Party | Acquisition Prices For the Three Months Ended September 30 | | Acquisition Prices For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Other related parties | $ 193,240 | $ - | $ 193,240 | $ - |

f. Other transactions with related parties

| Related Party | Operating Expenses<br>For the Three Months Ended<br>September 30<br>2014 | <br><br><br>2013 | Operating Expenses<br>For the Nine Months Ended<br>September 30<br>2014 | <br><br><br>2013 |
|---|---|---|---|---|
| Rental expenses | | | | |
| Other related parties | $ 873 | $ 2,213 | $ 4,405 | $ 6,639 |

| Related Party | Other Income<br>For the Three Months Ended<br>September 30<br>2014 | <br><br><br>2013 | Other Income<br>For the Nine Months Ended<br>September 30<br>2014 | <br><br><br>2013 |
|---|---|---|---|---|
| Other | | | | |
| Associates | $ 502 | $ - | $ 502 | $ - |
| Other related parties | 690 | 750 | 2,071 | 1,500 |
| | $ 1,192 | $ 750 | $ 2,573 | $ 1,500 |

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

g. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the nine months ended September 30, 2014 and 2013 were as follows:

| Related Party | For the Three Months Ended<br>September 30<br>2014 | <br><br>2013 | For the Nine Months Ended<br>September 30<br>2014 | <br><br>2013 |
|---|---|---|---|---|
| Short-term employee benefits | $ 13,404 | $ 16,979 | $ 40,212 | $ 36,367 |
| Post-employment benefits | 36 | 28 | 109 | 84 |
| Share-based payments | 3,817 | 754 | 3,969 | 2,460 |
| | $ 17,257 | $ 17,761 | $ 44,290 | $ 38,911 |

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

## 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. As of December 31, 2013 and September 30, 2013, AdvanPOS Technology Co., Ltd. and Cermate Technologies Inc., subsidiaries of the Company, had pledged the following assets for short-term and long-term bank borrowings. However, AdvanPOS Technology had canceled the pledged assets in the second quarter of 2014.

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| Fixed assets - land | $ - | $ 54,843 | $ 109,686 |
| Fixed assets - buildings, net of accumulated depreciation | - | 38,950 | 84,062 |
| | $ - | $ 93,793 | $ 193,748 |

b. As of September 30, 2014, December 31, 2013 and September 30, 2013, as requested by suppliers, the Company pledged a time deposit of $18,650 thousand, $109,110 thousand and $109,110 thousand, respectively for a bank guarantee for the Company's purchases.

c. As of September 30, 2014 and December 31, 2013, AdvanPOS Technology Co., Ltd. pledged a time deposit of $200 thousand as collateral for short-term borrowing.

## 31. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. As of September 30, 2014, December 31, 2013 and September 30, 2013, the guarantee notes issued by Cermate Technologies Inc. for its bank borrowings had amounted to $40,000 thousand.

b. As of December 31, 2013 and September 30, 2013, the guarantee notes issued by Netstar Technology Co., Ltd. for its bank loan had amounted to $1,459 thousand and $1,478 thousand.

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

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

September 30, 2014

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

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 119,486 | 30.42 (USD:NTD) | $ 3,634,764 |
| RMB | 538,732 | 4.934 (RMB:NTD) | 2,658,104 |
| RMB | 279,409 | 0.162 (RMB:USD) | 1,378,604 |
| EUR | 20,154 | 38.59 (EUR:NTD) | 777,743 |
| | | | $ 8,449,215 |
| Financial liabilities | | | |
| Monetary items | $ 81,104 | 30.42 (USD:NTD) | $ 2,467,184 |
| USD | 268,665 | 4.934 (RMB:NTD) | 1,325,593 |
| RMB | 37,814 | 6.165 (USD:RMB) | 1,150,303 |
| USD | | | |
| | | | $ 4,943,080 |

December 31, 2013

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

September 30, 2013

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 87,451 | 29.57 (USD:NTD) | $ 2,585,932 |
| RMB | 290,144 | 4.809 (RMB:NTD) | 1,395,301 |
| RMB | 233,661 | 0.163 (RMB:USD) | 1,123,660 |
| EUR | 19,735 | 39.92 (EUR:NTD) | 787,824 |
| | | | $ 5,892,717 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 57,281 | 29.57 (USD:NTD) | $ 1,693,785 |
| USD | 36,694 | 6.149 (USD:RMB) | 1,085,055 |
| RMB | 225,358 | 4.809 (RMB:NTD) | 1,083,748 |
| | | | $ 3,862,588 |

## 33. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held. (Table 3)

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

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

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

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

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

9) Transactions of financial instruments. (Notes 7 and 28)

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

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

12) Organization chart. (Table 9)

c. Information on investments in mainland China

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

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

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

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

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

## 34. SEGMENT INFORMATION

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

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

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

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

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

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

b. Segment information

| | For the Nine Months Ended September 30, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Automation Services | Embedded Boards and Design-in Services | Intelligent Services | Design and Manufacturing Services | Global Customer Services | Reconciliation and Elimination | Total |
| Income | | | | | | | |
| From external customers | $ 3,999,867 | $ 10,932,442 | $ 2,307,165 | $ 6,503,836 | $ 2,838,264 | $ (32,472) | $ 26,549,102 |
| Interest income | - | - | - | - | - | 39,125 | 39,125 |
| Income total | $ 3,999,867 | $ 10,932,442 | $ 2,307,165 | $ 6,503,836 | $ 2,838,264 | $ 6,653 | $ 26,588,227 |
| Finance costs | $ - | $ - | $ - | $ - | $ - | $ 4,009 | $ 4,009 |
| Share of profit or loss of associates accounted for using the equity method | - | - | - | - | - | 81,754 | 81,754 |
| Segment profit (loss) | $ 873,911 | $ 2,004,125 | $ 354,033 | $ 1,110,372 | $ 661,468 | $ (483,156) | $ 4,520,753 |

| | For the Nine Months Ended September 30, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Automation Services | Embedded Boards and Design-in Services | Intelligent Services | Design and Manufacturing Services | Global Customer Services | Reconciliation and Elimination | Total |
| Income | | | | | | | |
| From external customers | $ 3,688,722 | $ 8,623,693 | $ 1,780,172 | $ 5,627,735 | $ 2,644,051 | $ 23,208 | $ 22,387,581 |
| Interest income | - | - | - | - | - | 20,536 | 20,536 |
| Income total | $ 3,688,722 | $ 8,623,693 | $ 1,780,172 | $ 5,627,735 | $ 2,644,051 | $ 43,744 | $ 22,408,117 |
| Finance costs | $ - | $ - | $ - | $ - | $ - | $ 6,319 | $ 6,319 |
| Share of profit or loss of associates accounted for using the equity method | - | - | - | - | - | 59,246 | 59,246 |
| Segment profit (loss) | $ 860,465 | $ 1,679,217 | $ 110,795 | $ 1,106,801 | $ 496,595 | $ (352,576) | $ 3,901,297 |

The income above was generated from transactions with external customers. There were no sales between segments during the nine months ended September 30, 2014 and 2013, respectively.

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

**TABLE 1**

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note A) | Lender | Borrower | Financial Statement Account | Related Parties | Credit Line (Note D) | | Actual Borrowing | | Interest Rate (%) | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Ending Balance | | | | | | Item | Value | | |
| 0 | Advantech Co., Ltd. | AEU | Accounts receivable - related parties | Yes | $ 141,828<br>(EUR 3,383 thousand) | $ 130,531<br>(EUR 3,383 thousand) | $ 141,828<br>(EUR 3,383 thousand) | $ - | 2.00 | Short-term financing | $ - | Financing need | $ - | None | None | $ 2,042,016<br>(Note C) | $ 4,084,032<br>(Note C) |
| 1 | AEUH | AEU | Accounts receivable - related parties | Yes | 31,448<br>(EUR 750 thousand) | 28,943<br>(EUR 750 thousand) | 31,448<br>(EUR 750 thousand) | 28,943<br>(EUR 750 thousand) | 4.00 | Short-term financing | - | Financing need | - | None | None | 2,042,016<br>(Note C) | 4,084,032<br>(Note C) |
| 2 | ANA | AKMC | Accounts receivable - related parties | Yes | 140,162<br>(US$ 4,600 thousand) | 139,932<br>(US$ 4,600 thousand) | 140,162<br>(US$ 4,600 thousand) | 124,722<br>(US$ 4,100 thousand) | 2.00 | Short-term financing | - | Financing need | - | None | None | 2,042,016<br>(Note C) | 4,084,032<br>(Note C) |
| 3 | Better Auto Holdings Limited | Dongguan Pou Yuen Digital Technology Co., Ltd. | Accounts receivable - related parties | Yes | 22,690<br>(RMB 4,520 thousand) | 22,302<br>(RMB 4,520 thousand) | 22,690<br>(RMB 4,520 thousand) | 22,302<br>(RMB 4,520 thousand) | - | Short-term financing | - | Financing need | - | None | None | 2,042,016<br>(Note C) | 4,084,032<br>(Note C) |
| | | Dongguan Pou Yuen Digital Technology Co., Ltd. | Accounts receivable - related parties | Yes | 15,235<br>(US$ 500 thousand) | 15,210<br>(US$ 500 thousand) | 15,235<br>(US$ 500 thousand) | 15,210<br>(US$ 500 thousand) | - | Short-term financing | - | Financing need | - | None | None | 2,042,016<br>(Note C) | 4,084,032<br>(Note C) |
| 4 | Advantech Corporate Investment (formerly named Advantech Investment Fund-A Co., Ltd.) | AdvanPOS Technology Co., Ltd. | Accounts receivable - related parties | Yes | 100,000 | 100,000 | 100,000 | 100,000 | 1.15 | Short-term financing | - | Financing need | - | None | None | 2,042,016<br>(Note C) | 4,084,032<br>(Note C) |
| | | Advantech-LNC Technology Co., Ltd. | Accounts receivable - related parties | Yes | 50,000 | 50,000 | 50,000 | - | 1.15 | Short-term financing | - | Financing need | - | None | None | 2,042,016<br>(Note C) | 4,084,032<br>(Note C) |

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

Note B: The exchange rates as of September 30, 2014 were EUR1=NT$38.59, US$1=NT$30.42 and RMB1=NT$4.934

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

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

# ADVANTECH CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
**(In Thousands of New Taiwan Dollars)**

| No. (Note A) | Endorser/ Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note B) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%) | Maximum Collateral/ Guarantee Amounts Allowable (Note C) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | Advantech Co., Ltd. (the "Company") | AdvanPOS Technology Co., Ltd. | Subsidiary | $ 2,042,016 | $ 153,264 | $ 153,012 | $ - | $ - | - | $ 6,126,048 | Y | N | N |
| | | Advantech-LNC Technology Co., Ltd. | Subsidiary | 2,042,016 | 167,585 | 167,310 | - | - | - | 6,126,048 | Y | N | N |
| | | ACA Digital Corporation | Subsidiary | 2,042,016 | 121,880 | 121,680 | - | - | - | 6,126,048 | Y | N | N |

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

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

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

TABLE 3

# ADVANTECH CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
**(In Thousands of New Taiwan Dollars)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | September 30, 2014 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Advantech Co., Ltd. | Stock | | | | | | | |
| | ASUSTek Computer Inc. | - | Available for sale financial assets - noncurrent | 5,239,461 | $ 1,519,444 | 0.71 | $ 1,519,444 | Notes A and C |
| | Pegatron Corp. | - | 〃 | 8,055,570 | 451,112 | 0.35 | 451,112 | Notes A and D |
| | Fund | | | | | | | |
| | Mega RMB Money Market | - | Available for sale financial assets - current | 4,152,618.62 | 207,769 | - | 207,769 | Note B |
| Advantech Corporate Investment (formerly named Advantech Investment Fund-A Co., Ltd.) | Stock | | | | | | | |
| | Taiwan Hon Chuan Enterprise Co., Ltd. | - | 〃 | 2,500,000 | 140,000 | 0.96 | 140,000 | Note A |
| | Sercomm Corp. | - | Financial assets at fair value through profit or loss - current | 77,000 | 5,482 | - | 5,482 | Note A |
| | Allied Circuit Co., Ltd. | - | 〃 | 2,800,000 | 86,800 | 5.44 | 86,800 | Note A |
| | InvenSense, Inc. | - | 〃 | 7,107 | 4,183 | - | 4,183 | Note A |
| | COBAN Research and Technologies, Inc. | - | Available for sale financial assets - noncurrent | 600,000 | 33,257 | 6.85 | 33,257 | - |
| | BroadTec System Inc. | - | 〃 | 150,000 | 1,500 | 10.00 | 1,500 | - |
| | BiosenseTek Corp. | - | 〃 | 37,500 | 375 | 1.79 | 375 | - |
| | Fund | | | | | | | |
| | Eastspring Investment Well Pool Fund | - | Available for sale financial assets - current | 17,409,750.80 | 232,330 | - | 232,330 | Note B |
| | Taishin 1699 Money Market | - | 〃 | 1,000,669.63 | 13,276 | - | 13,276 | Note B |
| Advansus Corp. | Fund | | | | | | | |
| | Jih Sun Money Market | - | 〃 | 7,310,690.50 | 106,145 | - | 106,145 | Note B |
| Cermate Technology Inc. | Fund | | | | | | | |
| | East Investment Well Pool Fund | - | 〃 | 1,398,670.10 | 18,665 | - | 18,665 | Note B |
| Advantech Intelligent Service | Fund | | | | | | | |
| | East Investment Well Pool Fund | - | 〃 | 4,278,866.40 | 57,101 | - | 57,101 | Note B |
| ACA | Fund | | | | | | | |
| | Mega Diamond Money Market | - | 〃 | 6,596,716.27 | 81,065 | - | 81,065 | Note B |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | September 30, 2014 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Advantech-LNC Technology Co., Ltd. | Fund<br>Mega Diamond Money Market | - | 〃 | 2,996,369.38 | $ 36,821 | - | $ 36,821 | Note B |
| AdvanPOS Technology Co., Ltd. | Fund<br>Mega Diamond Money Market | - | 〃 | 821,893.28 | 10,100 | - | 10,100 | Note B |

Note A: Market value was based on the closing price on September 30, 2014.

Note B: Market value was based on the net asset values of the open-ended mutual funds on September 30, 2014.

Note C: The amount included $1,203,500 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 $271,600 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)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 | | Disposal | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount (Cost) | Shares | Amount | Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Shares | Amount (Cost) |
| Advance Co., Ltd. | Fund | | | | | | | | | | | | | |
| | Mega Diamond Money Market | Available-for-sale financial assets - current | - | - | 77,279,008.82 | $ 944,030 | 42,634,675.23 | $ 521,500 | 119,913,684.05 | $ 1,474,012 | $ 1,465,530 | $ 8,482 | - | $ - |
| | Capital Money Market | Available-for-sale financial assets - current | - | - | 18,926,086.30 | 298,000 | 26,492,428.10 | 418,000 | 45,418,514.40 | 717,907 | 716,000 | 1,907 | - | - |
| | Eastspring Investment Well Pool Fund | Available-for-sale financial assets - current | - | - | - | - | 23,968,096.80 | 319,000 | 23,968,096.80 | 319,226 | 319,000 | 226 | - | - |
| | Mega RMB Money Market | Available-for-sale financial assets - current | - | - | - | - | 11,214,444.71 | 548,733 | 7,061,826.09 | 347,443 | 345,117 | 2,326 | 4,152,618.62 | 203,616 |

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 | |
| Advantech Co., Ltd. | AEU | Subsidiary | Sale | $ (2,314,027) | 11.97 | 30 days after month-end | Contract price | No Significant difference in terms for related parties | $ 733,661 | 15.35 | |
| | ANA | Subsidiary | Sale | (5,736,215) | 29.67 | 45 days after month-end | Contract price | No Significant difference in terms for related parties | 600,108 | 12.55 | |
| | ACN | Subsidiary | Sale | (2,988,495) | 15.46 | 45 days after month-end | Contract price | No Significant difference in terms for related parties | 1,294,764 | 27.09 | |
| | AiSC | Subsidiary | Sale | (806,102) | 4.17 | 45 days after month-end | Contract price | No Significant difference in terms for related parties | 333,525 | 6.98 | |
| | AKMC | Subsidiary | Sale | (886,977) | 4.59 | 45 days after month-end | Contract price | No Significant difference in terms for related parties | 167,469 | 3.50 | |
| | ASG | Subsidiary | Sale | (128,895) | 0.67 | 60-90 days | Contract price | No Significant difference in terms for related parties | 36,191 | 0.76 | |
| | AJP | Subsidiary | Sale | (301,940) | 1.56 | 60-90 days | Contract price | No Significant difference in terms for related parties | 69,553 | 1.46 | |
| | AAU | Subsidiary | Sale | (118,116) | 0.61 | 60-90 days | Contract price | No Significant difference in terms for related parties | 39,082 | 0.82 | |
| | ABR | Subsidiary | Sale | (144,799) | 0.75 | 90 days after month-end | Contract price | No Significant difference in terms for related parties | 77,111 | 1.61 | |
| | AKR | Subsidiary | Sale | (447,702) | 2.32 | 60 days after invoice date | Contract price | No Significant difference in terms for related parties | 51,521 | 1.08 | |
| | ATC | Subsidiary | Purchase | 7,017,700 | 49.69 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 1,554,220 | 51.73 | |
| | Advansus Corp. | Subsidiary | Purchase | 874,183 | 6.19 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 229,467 | 7.64 | |
| | ACA | Subsidiary | Purchase | 2,403,369 | 17.02 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 436,365 | 14.52 | |
| ACN | AiSC | Related enterprise | Sale | (128,716) | 2.79 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 9,884 | 4.24 | |
| ACA | AKMC | Related enterprise | Sale | (993,281) | 24.53 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 271,879 | 34.28 | |
| | Advansus Corp. | Related enterprise | Sale | (642,739) | 15.87 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 82,148 | 10.36 | |
| AiSC | AKMC | Related enterprise | Sale | (114,146) | 7.95 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 19,678 | 3.92 | |

(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 | ACN | Related enterprise | Sale | $ (168,556) | 2.42 | Usual trade terms | Contract price | No Significant difference in terms for related parties | $ 43,392 | 6.72 | |
| | ATC | Parent company | Sale | (6,534,084) | 93.98 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 566,577 | 87.76 | |
| | AiSC | Related enterprise | Sale | (103,304) | 1.49 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 29,076 | 4.50 | |
| Advansus Corp. | ACA | Related enterprise | Sale | (181,457) | 6.29 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 23,122 | 3.44 | |
| | AKMC | Related enterprise | Sale | (801,852) | 27.81 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 201,999 | 30.06 | |
| | AKR | Related enterprise | Sale | (115,561) | 4.01 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 30,293 | 4.51 | |
| Advantech-LNC Technology Co., Ltd. | Dongguan Pou Yuen Digital Technology Co., Ltd. | Subsidiary | Sale | (153,910) | 64.50 | Usual trade terms | Contract price | No Significant difference in terms for related parties | 70,282 | 78.68 | |

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Relationship | Ending Balance (Note A) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| Advantech Co., Ltd. (the "Company") | AiSC | Subsidiary | $ 333,525 | 1.75 | $ - | - | $ 49,340 | $ - |
| | ACN | Subsidiary | 1,294,764 | 4.11 | - | - | 300,973 | - |
| | AEU | Subsidiary | 733,661 | 5.76 | - | - | 224,302 | - |
| | AKMC | Subsidiary | 167,469 | 7.35 | - | - | 560,536 | - |
| | ANA | Subsidiary | 600,108 | 9.97 | - | - | 700,732 | - |
| ATC | Advantech Co., Ltd. | Parent company | 1,554,220 | 6.01 | - | - | 831,704 | - |
| ACA | Advantech Co., Ltd. | Parent company | 436,365 | 9.32 | - | - | 361,027 | - |
| Advansus Corp. | Advantech Co., Ltd. | Parent company | 229,467 | 6.29 | - | - | 115,796 | - |
| AKMC | ATC | Parent company | 566,578 | 14.85 | - | - | 465,319 | - |
| ACA | AKMC | Related enterprise | 271,879 | 4.77 | - | - | 142,899 | - |
| Advansus Corp. | AKMC | Related enterprise | 201,999 | 5.82 | - | - | 85,287 | - |
| ANA | AKMC | Related enterprise | 127,901 | 0.06 (Note B) | - | - | 1,951 | - |

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

Note B: The rate refers to a financing transaction.

# ADVANTECH CO., LTD. AND SUBSIDIARIES

**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
**(In Thousands of New Taiwan Dollars/Foreign Currency)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | Balance as of September 30, 2014 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note A) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2014 | December 31, 2013 | Shares | Percentage of Ownership | Carrying Value | | | |
| Advantech Co., Ltd. (“the Company”) | AAC (BVI) | BVI | Investment and management service | $ 993,108 | $ 993,108 | 29,623,834 | 100.00 | $ 3,230,885 | $ 252,696 | $ 247,949 | Subsidiary |
| | ATC | BVI | Sale of industrial automation products | 1,231,118 | 1,231,118 | 38,750,000 | 100.00 | 3,384,642 | 159,567 | 159,138 | Subsidiary |
| | Advansus Corp. | Taipei, Taiwan | Production and sale of industrial automation products | 486,000 | 486,000 | 36,000,000 | 100.00 | 649,167 | 214,861 | 202,848 | Subsidiary |
| | Advantech Corporate Investment | Taipei, Taiwan | Investment holding company | 900,000 | 900,000 | 100,000,000 | 100.00 | 961,451 | 62,730 | 63,420 | Subsidiary |
| | Axiomtek | Taipei, Taiwan | Production and sale of industrial automation products | 249,059 | 249,059 | 20,537,984 | 26.30 | 396,950 | 298,841 | 78,760 | Equity-method investee |
| | AdvanPOS Technology Co., Ltd. | Taipei, Taiwan | Production and sale of POS system | 319,461 | 319,461 | 12,778,455 | 64.03 | 312,572 | (14,298) | (9,178) | Subsidiary |
| | Advantech-LNC Technology Co., Ltd. | Taichung, Taiwan | Production and sale of machine control solution | 478,826 | 530,000 | 26,980,000 | 89.93 | 497,508 | 18,650 | 16,757 | Subsidiary |
| | Jan Hsiang Electronics Co., Ltd. | Taipei, Taiwan | Electronic parts and components manufacturing | 3,719 | 3,719 | 655,500 | 28.50 | 10,166 | 9,360 | 2,722 | Equity-method investee (Note C) |
| | AMX | Mexico | Sale of industrial automation products | 4,922 | 4,922 | - | 100.00 | 865 | (1,336) | (1,336) | Subsidiary (Note D) |
| | AEUH | Helmond, The Netherlands | Investment and management service | 1,262,049 | 1,146,489 | 9,572,024 | 100.00 | 947,931 | 38,650 | 37,971 | Subsidiary |
| | ASG | Techplace, Singapore | Sale of industrial automation products | 27,134 | 27,134 | 1,450,000 | 100.00 | 89,916 | 9,171 | 9,171 | Subsidiary |
| | AAU | Sydney, Australia | Sale of industrial automation products | 40,600 | 40,600 | 500,204 | 100.00 | 46,382 | (5,883) | (5,883) | Subsidiary |
| | AJP | Tokyo, Japan | Sale of industrial automation products | 15,472 | 15,472 | 1,200 | 100.00 | 146,177 | 7,900 | 7,900 | Subsidiary |
| | AMY | Malaysia | Sale of industrial automation products | 35,140 | 35,140 | 2,000,000 | 100.00 | 36,055 | 3,138 | 3,138 | Subsidiary |
| | AKR | Seoul, Korea | Sale of industrial automation products | 73,355 | 73,355 | 600,000 | 100.00 | 231,956 | 53,185 | 53,185 | Subsidiary |
| | ABR | Sao Paulo, Brazil | Sale of industrial automation products | 39,616 | 39,616 | 1,419,804 | 80.00 | 54,358 | 15,707 | 12,565 | Subsidiary |
| | ACA | Taipei, Taiwan | Production and sale of industrial automation products | 146,440 | 146,440 | 8,000,000 | 100.00 | 433,048 | 249,224 | 250,995 | Subsidiary |
| | AIN | India | Sale of industrial automation products | 5,567 | 5,567 | 999,999 | 99.99 | (6,480) | (4,739) | (4,739) | Subsidiary |
| Advantech Corporate Investment (formerly named Advantech Investment Fund-A Co., Ltd.) | Netstar Technology Co., Ltd. | Taipei, Taiwan | Production and sale of industrial automation products | - | 291,196 | - | - | - | - | 48,274 | Subsidiary (Note C) |
| | AiST | Taipei, Taiwan | Design, develop and sale of intelligent services | 142,063 | 142,063 | 10,000,000 | 100.00 | 175,575 | (7,202) | (7,202) | Subsidiary |
| | Cermate Technology Inc. | Taipei, Taiwan | Manufacturing of electronic parts, computer, and peripheral devices | 71,500 | 71,500 | 5,500,000 | 55.00 | 112,049 | 26,742 | 14,708 | Subsidiary |
| | Deneng Scientific Research Co., Ltd. | Taichung, Taiwan | Installment and sale of electronic components and software | 18,095 | - | 658,000 | 39.69 | 18,367 | 684 | 272 | Equity-method investee |
| ATC | ATC (HK) | Hong Kong | Investment and management service | 1,212,730 | 1,212,730 | 41,650,001 | 100.00 | 2,426,798 | 149,048 | 149,048 | Subsidiary |
| AAC (BVI) | ANA | Sunnyvale, USA | Sale and fabrication of industrial automation products | 504,179 | 504,179 | 10,952,606 | 100.00 | 1,774,052 | 121,185 | 121,185 | Subsidiary |
| | AAC (HK) | Hong Kong | Investment and management service | 539,146 | 539,146 | 15,230,001 | 100.00 | 1,590,700 | 138,665 | 138,665 | Subsidiary |
| AEUH | AEU | Eindhoven, The Netherlands | Sale of industrial automation products | 316,403 | 316,403 | 8,609,658 | 100.00 | 892,946 | 36,590 | 36,590 | Subsidiary |
| | APL | Warsaw, Poland | Sale of industrial automation products | 14,176 | 14,176 | 6,350 | 100.00 | 47,039 | 2,743 | 2,743 | 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 | 573,139 | 35,117 | 13,286 | Subsidiary |
| | GPEG | London, UK | Design, R&D and sale of gaming computer products | 278,641 | 278,641 | 221,176 | 100.00 | 246,859 | (34,095) | (34,095) | Subsidiary |
| GPEG | GPEG K&M Ltd. | Korea | Design, R&D and sale of gaming computer products | - | 8,175 | - | - | - | - | - | Equity-method investee (Note E) |
| ASG | ATH | Thailand | Production of computers | 7,537 | 7,537 | 51,000 | 51.00 | 12,640 | 4,250 | 2,168 | Subsidiary |
| | AID | Indonesia | Sale of industrial automation products | 4,797 | 4,797 | 300,000 | 100.00 | 855 | (361) | (361) | Subsidiary |
| Cermate Technology Inc. | LandMark | BVI | General investment | 28,200 | 28,200 | 972,284 | 100.00 | 56,527 | 12,993 | 11,911 | Subsidiary |
| Advantech-LNC Technology Co., Ltd. | Better Auto | BVI | General investment | 264,445 | 264,445 | 8,556,096 | 100.00 | 156,614 | (9,038) | (8,843) | Subsidiary |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | Balance as of September 30, 2014 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note A) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2014 | December 31, 2013 | Shares | Percentage of Ownership | Carrying Value | | | |
| Better Auto | Famous Now | BVI | General investment | US$ 4,000 | US$ 4,000 | 1 | 100.00 | $ 139,555 | $ (51,961) | $ (51,961) | Subsidiary |
| AdvanPOS Technology Co., Ltd. | Bright Mind Limited | Samoa | General investment | US$ 200 | US$ 200 | 200 | 100.00 | (326) | (429) | (429) | Subsidiary |

Note A: The financial statements used as basis of net asset values had not been reviewed by independent CPAs, except those of AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH, AEU and Axiomtek.

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

Note C: In the third quarter of 2014, the Company had a whale-minnow merger with Netstar Technology Co., Ltd. (“Netstar”), with the Company as the survivor entity. In addition, since Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”) had been owned by Netstar before the merger, Jan Hsiang became the Company’s associate after the merger.

Note D: In the third quarter of 2014, AMX, which was formerly owned by ANA, became the Company’s direct subsidiary.

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**INVESTMENTS IN MAINLAND CHINA**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2014 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes A) | Carrying Value as of September 30, 2014 | Accumulated Inward Remittance of Earnings as of September 30, 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 | $ 1,134,666 (US$ 37,300 thousand) | $ - | $ - | $ 1,134,666 (US$ 37,300 thousand) | 100 | $ 149,048 | $ 2,426,798 | $ - |
| Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) | Sale of industrial automation products | US$ 4,230 thousand | Indirect | 162,199 (US$ 5,332 thousand) | - | - | 162,199 (US$ 5,332 thousand) | 100 | 157,525 | 916,775 | 341,677 (US$ 11,232 thousand) |
| Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) | Sale of industrial automation products | US$ 8,000 thousand | Indirect | 243,360 (US$ 8,000 thousand) | - | - | 243,360 (US$ 8,000 thousand) | 100 | (3,037) | 695,501 | - |
| Xi’an Advantech Software Ltd. (AXA) | Development and production of software products | US$ 1,000 thousand | Indirect | (Note C) | - | - | (Note C) | 100 | (16,883) | (25,511) | - |
| Hangzhou Advantofine Automation Tech. Co., Ltd. | Processing and sale of industrial automation products | RMB 3,000 thousand | Indirect | (Note D) | - | - | (Note D) | 60 | 45 | 13,170 | - |

| Accumulated Investment in Mainland China as of September 30, 2014 | Investment Amounts Authorized by Investment Commission, MOEA | Allowable Limit on Investment |
|---|---|---|
| $1,546,309 (US$50,832 thousand) (Note E) | $2,098,980 (US$69,000 thousand) | $12,364,599 (Note H) |

Note A: The financial statements used as basis of net asset values had not been reviewed, except those of AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH, AEU.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. (the “Company”) and its investees in Mainland China are described in Note 33 of the financial statements and Tables 1, 5 and 6.

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

(Continued)

Note D: Remittance by ACN.

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

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

Note G: The exchange rate was US$1.00=NT$30.42.

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

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

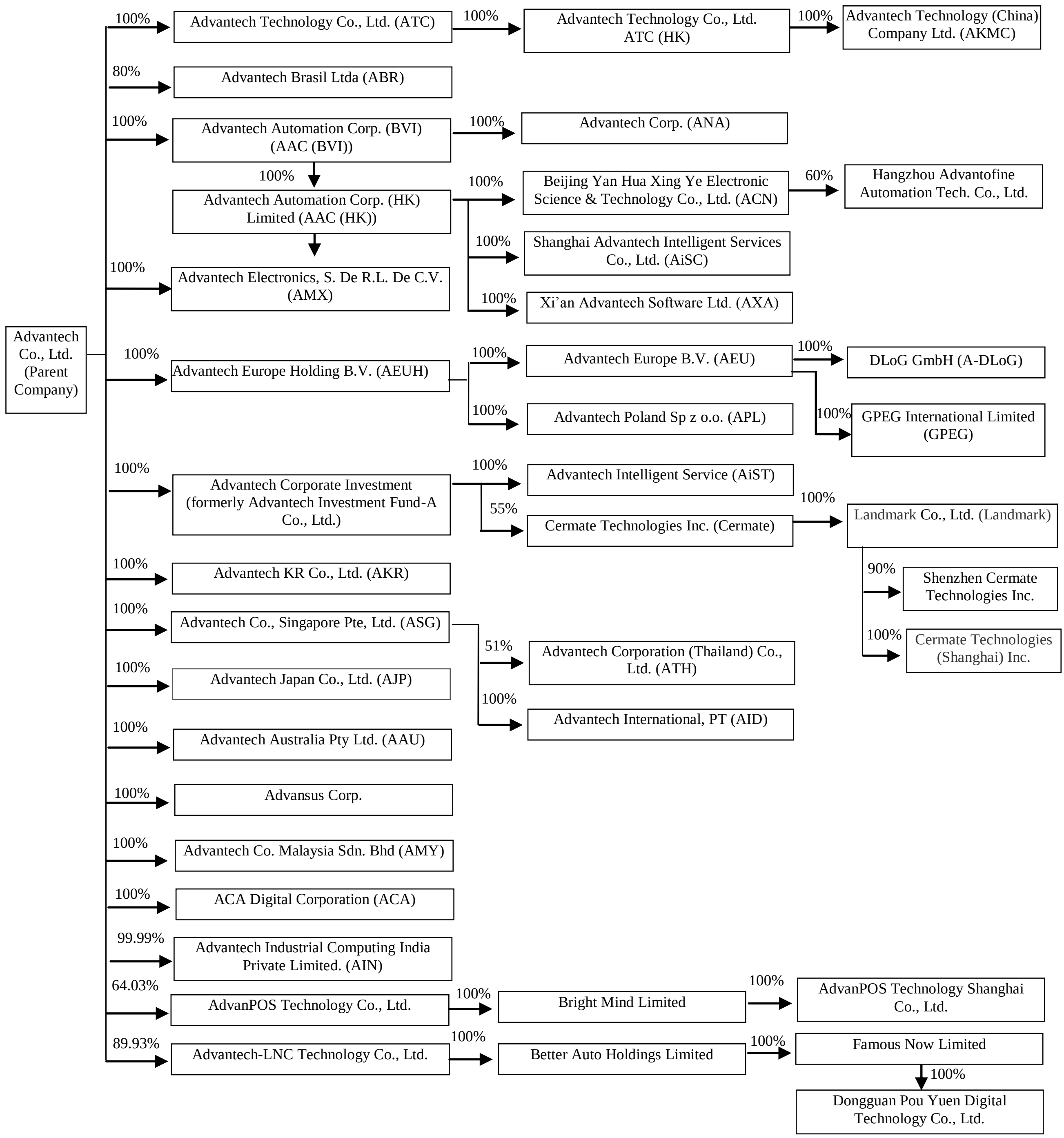
(Concluded)

**TABLE 9**

# ADVANTECH CO., LTD. AND SUBSIDIARIES

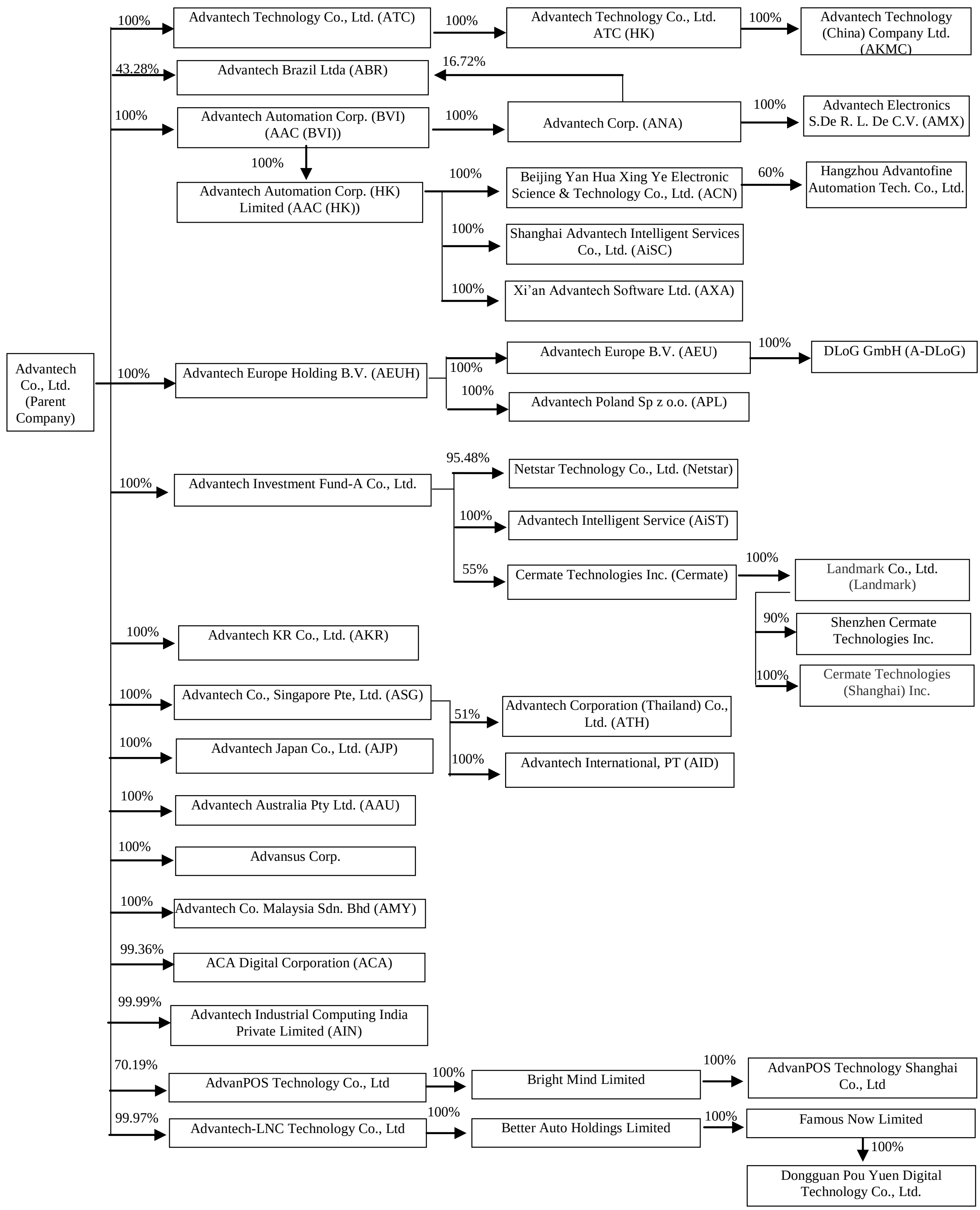
## ORGANIZATION CHART
## SEPTEMBER 30, 2014 AND 2013

Intercompany relationships and percentages of ownership as of September 30, 2014 are shown below:




(Continued)

Intercompany relationships and percentages of ownership as of September 30, 2013 are shown below:




(Concluded)

**TABLE 10**

## ADVANTECH CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
**(In Thousands of New Taiwan Dollars)**

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 0 | Advantech Co., Ltd. | AAC (HK) | 1 | Receivables from related parties | $ 118 | 45 days EOM | - |
| | | AAU | 1 | Other revenue | 2,047 | Normal | - |
| | | AAU | 1 | Receivables from related parties | 39,082 | 60-90 days | - |
| | | AAU | 1 | Sales revenue | 118,116 | Normal | - |
| | | ABR | 1 | Other revenue | 2,304 | Normal | - |
| | | ABR | 1 | Receivables from related parties | 77,111 | 90 days EOM | - |
| | | ABR | 1 | Sales revenue | 144,799 | Normal | 1 |
| | | ACA | 1 | Receivables from related parties | 441 | 30 days EOM | - |
| | | ACA | 1 | Other revenue | 3,780 | Normal | - |
| | | ACN | 1 | Receivables from related parties | 1,294,764 | 45 days EOM | 4 |
| | | ACN | 1 | Sales revenue | 2,988,495 | Normal | 11 |
| | | A-DLoG | 1 | Other revenue | 3,051 | Normal | - |
| | | A-DLoG | 1 | Receivables from related parties | 5,631 | 30 days after invoice date | - |
| | | A-DLoG | 1 | Sales revenue | 50,002 | Normal | - |
| | | AEU | 1 | Other revenue | 10,324 | Normal | - |
| | | AEU | 1 | Receivables from related parties | 733,661 | 30 days EOM | 3 |
| | | AEU | 1 | Sales revenue | 2,314,027 | Normal | 9 |
| | | AEU | 1 | Interest revenue | 1,955 | Normal | - |
| | | AID | 1 | Receivables from related parties | 2,824 | 45 days after invoice date | - |
| | | AID | 1 | Sales revenue | 5,920 | Normal | - |
| | | AIN | 1 | Sales revenue | 13,350 | Normal | - |
| | | AIN | 1 | Receivables from related parties | 28,132 | 60 days EOM | - |
| | | AiSC | 1 | Receivables from related parties | 333,525 | 45 days EOM | 1 |
| | | AiSC | 1 | Sales revenue | 806,102 | Normal | 3 |
| | | AJP | 1 | Other revenue | 2,844 | Normal | - |
| | | AJP | 1 | Receivables from related parties | 69,553 | 60-90 days | - |
| | | AJP | 1 | Sales revenue | 301,940 | Normal | 1 |
| | | AKMC | 1 | Receivables from related parties | 167,469 | 45 days EOM | 1 |
| | | AKMC | 1 | Sales revenue | 886,977 | Normal | 3 |
| | | AKR | 1 | Other revenue | 3,752 | Normal | - |
| | | AKR | 1 | Receivables from related parties | 51,521 | 60 days after invoice date | - |
| | | AKR | 1 | Sales revenue | 447,702 | Normal | 2 |
| | | AMY | 1 | Other revenue | 1,500 | Normal | - |
| | | AMY | 1 | Receivables from related parties | 12,143 | 45 days EOM | - |
| | | AMY | 1 | Sales revenue | 55,300 | Normal | - |
| | | ANA | 1 | Other revenue | 13,288 | Normal | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| | | ANA | 1 | Receivables from related parties | $ 600,108 | 45 days EOM | 2 |
| | | ANA | 1 | Sales revenue | 5,736,215 | Normal | 22 |
| | | APL | 1 | Receivables from related parties | 2,275 | 45 days EOM | - |
| | | APL | 1 | Sales revenue | 8,718 | Normal | - |
| | | ASG | 1 | Other revenue | 2,040 | Normal | - |
| | | ASG | 1 | Receivables from related parties | 36,191 | 60-90 days | - |
| | | ASG | 1 | Sales revenue | 128,895 | Normal | - |
| | | ATC | 1 | Royalty revenue | 352,261 | Normal | 1 |
| | | ATH | 1 | Other revenue | 1,553 | Normal | - |
| | | ATH | 1 | Receivables from related parties | 6,060 | 30 days after invoice date | - |
| | | ATH | 1 | Sales revenue | 33,792 | Normal | - |
| | | Cermate Technologies Inc. | 1 | Sales revenue | 1,610 | Normal | - |
| | | Cermate Technologies Inc. | 1 | Receivables from related parties | 84 | 30 days EOM | - |
| | | Cermate Technologies Inc. | 1 | Other revenue | 540 | Normal | - |
| | | Advantech Corporate Investment | 1 | Rental revenue | 27 | Normal | - |
| | | Advantech Corporate Investment | 1 | Receivables from related parties | 3 | 30 days EOM | - |
| | | AiST | 1 | Receivables from related parties | 16,843 | 30 days EOM | - |
| | | AiST | 1 | Sales revenue | 62,371 | Normal | - |
| | | AiST | 1 | Other revenue | 720 | Normal | - |
| | | Advansus Corp. | 1 | Rental revenue | 45 | Normal | - |
| | | Advansus Corp. | 1 | Receivables from related parties | 3,522 | 60-90 days EOM | - |
| | | Advansus Corp. | 1 | Sales revenue | 27,854 | Normal | - |
| | | Netstar Technology Co., Ltd. | 1 | Sales revenue | 3,944 | Normal | - |
| | | Netstar Technology Co., Ltd. | 1 | Other revenue | 560 | Normal | - |
| | | AdvanPOS Technology Co., Ltd. | 1 | Sales revenue | 35,667 | Normal | - |
| | | AdvanPOS Technology Co., Ltd. | 1 | Receivables from related parties | 7,760 | 60 days EOM | - |
| | | Advantech-LNC Technology Co., Ltd. | 1 | Sales revenue | 1,064 | Normal | - |
| | | Advantech-LNC Technology Co., Ltd. | 1 | Receivables from related parties | 168 | 60-90 days | - |
| 1 | ACN | Advantech Co., Ltd. | 2 | Receivables from related parties | 327 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 130 | Normal | - |
| | | AiSC | 3 | Sales revenue | 128,716 | Normal | - |
| | | AiSC | 3 | Receivables from related parties | 9,884 | Immediate payment | - |
| | | AKMC | 3 | Receivables from related parties | 6,801 | 60-90 days | - |
| | | AKMC | 3 | Sales revenue | 16,882 | Normal | - |
| | | AKR | 3 | Sales revenue | 193 | Normal | - |
| | | ANA | 3 | Sales revenue | 2,299 | Normal | - |
| | | ANA | 3 | Receivables from related parties | 1,067 | 30 days EOM | - |
| | | AXA | 3 | Receivables from related parties | 44,440 | 60 days EOM | - |
| | | Hangzhou Advantofine Automation Tech. Co., Ltd. | 3 | Sales revenue | 37,138 | Normal | - |
| | | Hangzhou Advantofine Automation Tech. Co., Ltd. | 3 | Receivables from related parties | 31,054 | 60 days after invoice date | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 2 | AAU | Advantech Co., Ltd. | 2 | Receivables from related parties | $ 554 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 21 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 1,122 | Normal | - |
| | | AKMC | 3 | Receivables from related parties | 2 | 30 days after invoice date | - |
| | | ANA | 3 | Sales revenue | 546 | Normal | - |
| | | AKMC | 3 | Sales revenue | 2,108 | Normal | - |
| 3 | ACA | Advantech Co., Ltd. | 2 | Receivables from related parties | 436,365 | 30 days EOM | 1 |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 2,403,369 | Normal | 9 |
| | | ACN | 3 | Receivables from related parties | 1,351 | 60-90 days | - |
| | | ACN | 3 | Sales revenue | 1,327 | Normal | - |
| | | AKMC | 3 | Receivables from related parties | 271,879 | 45 days EOM | 1 |
| | | AKMC | 3 | Sales revenue | 993,281 | Normal | 4 |
| | | Advansus Corp. | 3 | Sales revenue | 642,739 | Normal | 2 |
| | | Advansus Corp. | 3 | Receivables from related parties | 82,148 | 45 days EOM | - |
| 4 | AEUH | AEU | 3 | Interest revenue | 307 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 29,007 | 30 days after invoice date | - |
| 5 | Advantech-LNC Technology Co., Ltd. | Advantech Co., Ltd. | 2 | Receivables from related parties | 647 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 8,871 | Normal | - |
| | | Better Auto | 3 | Royalty revenue | 5,174 | Normal | - |
| | | Dongguan Pou Yuen Digital Technology Co., Ltd. | 3 | Unearned revenue | 207 | Normal | - |
| | | Dongguan Pou Yuen Digital Technology Co., Ltd. | 3 | Sales revenue | 153,910 | Normal | 1 |
| | | Dongguan Pou Yuen Digital Technology Co., Ltd. | 3 | Receivables from related parties | 70,282 | 90 days EOM | - |
| 6 | AiSC | AAC (HK) | 3 | Receivables from related parties | 2,939 | 90 days | - |
| | | AKMC | 3 | Sales revenue | 114,146 | Normal | - |
| | | ACN | 3 | Sales revenue | 80,256 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 24 | Immediate payment | - |
| | | AKMC | 3 | Receivables from related parties | 19,678 | 30 days EOM | - |
| | | ASG | 3 | Sales revenue | 408 | Normal | - |
| | | ACA | 3 | Receivables from related parties | 1,488 | 60 days after invoice date | - |
| | | ANA | 3 | Sales revenue | 724 | Normal | - |
| | | ACA | 3 | Sales revenue | 12,362 | Normal | - |
| | | ASG | 3 | Receivables from related parties | 412 | 30 days EOM | - |
| | | ANA | 3 | Receivables from related parties | 230 | Immediate payment | - |
| | | ACN | 3 | Receivables from related parties | 23,945 | Immediate payment | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 75 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 4,894 | Normal | - |
| | | Hangzhou Advantofine Automation Tech. Co., Ltd. | 3 | Receivables from related parties | 741 | Immediate payment | - |
| | | Hangzhou Advantofine Automation Tech. Co., Ltd. | 3 | Sales revenue | 6,945 | Normal | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 7 | AJP | Advantech Co., Ltd. | 2 | Receivables from related parties | $ 2,551 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 219 | Normal | - |
| 8 | AKMC | Advantech Co., Ltd. | 2 | Receivables from related parties | 532 | 60 days EOM | - |
| | | ACN | 3 | Rental revenue | 3,311 | Normal | - |
| | | ACN | 3 | Sales revenue | 168,556 | Normal | 1 |
| | | AEU | 3 | Sales revenue | 159 | Normal | - |
| | | ACN | 3 | Receivables from related parties | 43,392 | 60-90 days | - |
| | | AEU | 3 | Receivables from related parties | 109 | 30 days after invoice date | - |
| | | AiSC | 3 | Sales revenue | 103,304 | Normal | - |
| | | AKR | 3 | Sales revenue | 59 | Normal | - |
| | | AiSC | 3 | Receivables from related parties | 29,076 | Immediate payment | - |
| | | AKR | 3 | Receivables from related parties | 19 | 30 days after invoice date | - |
| | | ANA | 3 | Sales revenue | 776 | Normal | - |
| | | ANA | 3 | Receivables from related parties | 308 | 60-90 days | - |
| | | ATC | 3 | Receivables from related parties | 566,577 | 60-90 days | 2 |
| | | ATC | 3 | Sales revenue | 6,534,084 | Normal | 25 |
| | | Advansus Corp. | 3 | Receivables from related parties | 3,510 | Immediate payment | - |
| | | Advansus Corp. | 3 | Sales revenue | 9,498 | Normal | - |
| | | AdvanPOS Technology Co., Ltd. | 3 | Sales revenue | 925 | Normal | - |
| | | Hangzhou Advantofine Automation Tech. Co., Ltd. | 3 | Sales revenue | 14 | Normal | - |
| | | Netstar Technology Co., Ltd. | 3 | Sales revenue | 126,018 | Normal | - |
| | | AdvanPOS Technology Co., Ltd. | 3 | Receivables from related parties | 12 | 30 days EOM | - |
| 9 | AKR | Advantech Co., Ltd. | 2 | Sales revenue | 671 | Normal | - |
| | | ANA | 3 | Sales revenue | 123 | Normal | - |
| 10 | AMY | ATH | 3 | Other revenue | 4 | Normal | - |
| | | ASG | 3 | Receivables from related parties | 37 | 30 days EOM | - |
| | | ASG | 3 | Other revenue | 335 | Normal | - |
| | | ATH | 3 | Sales revenue | 4 | Normal | - |
| 11 | ANA | Advantech Co., Ltd. | 2 | Receivables from related parties | 4,012 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 26,499 | Normal | - |
| | | ACA | 3 | Sales revenue | 79,735 | Normal | - |
| | | AEU | 3 | Sales revenue | 62,035 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 19,601 | 60-90 days | - |
| | | AKMC | 3 | Receivables from related parties | 127,901 | 30 days EOM、Financing | - |
| | | AKMC | 3 | Interest revenue | 2,049 | Normal | - |
| | | AKMC | 3 | Sales revenue | 6,258 | Normal | - |
| | | AKR | 3 | Sales revenue | 103 | Normal | - |
| | | ACA | 3 | Receivables from related parties | 14,723 | 60 days EOM | - |
| | | AAU | 3 | Sales revenue | 123 | Normal | - |
| | | ASG | 3 | Sales revenue | 99 | Normal | - |
| | | Advansus Corp. | 3 | Sales revenue | 138 | Normal | - |
| | | AdvanPOS Technology Co., Ltd. | 3 | Sales revenue | 21 | Normal | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 12 | APL | AEU | 3 | Commission revenue | $ 6,073 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 33,745 | 30 days after invoice date | - |
| | | AEU | 3 | Sales revenue | 35,138 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 316 | 30 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 46 | Normal | - |
| 13 | ASG | Advantech Co., Ltd. | 2 | Receivables from related parties | 225 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 918 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 7,612 | Normal | - |
| | | AID | 3 | Receivables from related parties | 547 | 30 days upon delivery | - |
| | | AID | 3 | Sales revenue | 548 | Normal | - |
| | | AMY | 3 | Sales revenue | 6,014 | Normal | - |
| | | ATH | 3 | Sales revenue | 4,102 | Normal | - |
| | | ATH | 3 | Other revenue | 2,749 | Normal | - |
| | | AMY | 3 | Other revenue | 4 | Normal | - |
| | | AMY | 3 | Receivables from related parties | 383 | 30 days EOM | - |
| | | ATH | 3 | Receivables from related parties | 454 | 30 days EOM | - |
| 14 | ATC | Advantech Co., Ltd. | 2 | Receivables from related parties | 1,554,220 | 60 days EOM | 5 |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 7,017,700 | Normal | 26 |
| | | AKMC | 3 | Sales revenue | 57,731 | Normal | - |
| 15 | AXA | ACN | 3 | Sales revenue | 10,269 | Normal | - |
| | | AiSC | 3 | Sales revenue | 14,181 | Normal | - |
| | | ACN | 3 | Receivables from related parties | 2,836 | 30 days EOM | - |
| 16 | A-DLoG | Advantech Co., Ltd. | 2 | Receivables from related parties | 8,089 | 30 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 25,536 | Normal | - |
| | | AiSC | 3 | Sales revenue | 1,403 | Normal | - |
| | | AEU | 3 | Sales revenue | 639 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 401 | 30 days upon delivery | - |
| | | AAU | 3 | Sales revenue | 107 | Normal | - |
| | | AKR | 3 | Receivables from related parties | 668 | 60 days EOM | - |
| | | AKR | 3 | Sales revenue | 1,160 | Normal | - |
| | | ANA | 3 | Sales revenue | 449 | Normal | - |
| 17 | AEU | Advantech Co., Ltd. | 2 | Receivables from related parties | 514 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 1,052 | Normal | - |
| | | ACN | 3 | Receivables from related parties | 129 | 30 days after invoice date | - |
| | | AKMC | 3 | Receivables from related parties | 520 | 30 days EOM | - |
| | | A-DLoG | 3 | Receivables from related parties | 1,131 | 30 days upon delivery | - |
| | | ATC | 3 | Receivables from related parties | 19,887 | 7days after invoice date | - |
| | | APL | 3 | Sales revenue | 1,064 | Normal | - |
| | | ANA | 3 | Sales revenue | 35,417 | Normal | - |
| | | ANA | 3 | Royalty revenue | 1,238 | Normal | - |
| | | ANA | 3 | Receivables from related parties | 15,387 | Immediate payment | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| | | AKR | 3 | Sales revenue | $ 52 | Normal | - |
| | | GPEG | 3 | Receivables from related parties | 429 | 30 days after invoice date | - |
| | | A-DLoG | 3 | Sales revenue | 10,769 | Normal | - |
| 18 | Cermate (Shenzhen) | ACN | 3 | Receivables from related parties | 10 | Cash on delivery | - |
| | | Cermate (Shanghai) | 3 | Sales revenue | 21,166 | Normal | - |
| | | Cermate Technologies Inc. | 3 | Sales revenue | 22,016 | Normal | - |
| | | Cermate Technologies Inc. | 3 | Receivables from related parties | 2,344 | 60 days EOM | - |
| | | AKMC | 3 | Receivables from related parties | 1,116 | 40 days EOM | - |
| | | ACN | 3 | Sales revenue | 11 | Normal | - |
| | | AKMC | 3 | Sales revenue | 23,078 | Normal | - |
| 19 | Cermate Technologies Inc. | Advantech Co., Ltd. | 2 | Receivables from related parties | 1,091 | 30-60 days | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 5,858 | Normal | - |
| | | Cermate (Shenzhen) | 3 | Receivables from related parties | 19,675 | 30 days EOM | - |
| | | Cermate (Shenzhen) | 3 | Sales revenue | 71,228 | Normal | - |
| 20 | Cermate (Shanghai) | Cermate (Shenzhen) | 3 | Receivables from related parties | 16,574 | 60 days EOM | - |
| | | Cermate (Shenzhen) | 3 | Sales revenue | 661 | Normal | - |
| 21 | Advansus Corp. | AKMC | 3 | Receivables from related parties | 201,999 | 60-90 days | 1 |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 229,467 | 60-90 days | 1 |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 874,183 | Normal | 3 |
| | | ACA | 3 | Receivables from related parties | 23,122 | 30 days EOM | - |
| | | AKR | 3 | Receivables from related parties | 30,293 | 60-90 days | - |
| | | ANA | 3 | Receivables from related parties | 14 | 30 days EOM | - |
| | | AKMC | 3 | Sales revenue | 801,852 | Normal | 3 |
| | | AKR | 3 | Sales revenue | 115,561 | Normal | - |
| | | ANA | 3 | Sales revenue | 117 | Normal | - |
| | | ACA | 3 | Sales revenue | 181,457 | Normal | 1 |
| | | AdvanPOS Technology Co., Ltd. | 3 | Receivables from related parties | 1,058 | 60 days EOM | - |
| | | AdvanPOS Technology Co., Ltd. | 3 | Sales revenue | 1,533 | Normal | - |
| 22 | Netstar Technology Co., Ltd. | Advantech Co., Ltd. | 2 | Sales revenue | 64,168 | Normal | - |
| | | AKMC | 3 | Sales revenue | 3,018 | Normal | - |
| | | ANA | 3 | Sales revenue | 1,887 | Normal | - |
| | | AJP | 3 | Sales revenue | 1,015 | Normal | - |
| 23 | AAC (HK) | Advantech Co., Ltd. | 2 | Receivables from related parties | 730 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 3,250 | Normal | - |
| 24 | AIN | Advantech Co., Ltd. | 2 | Receivables from related parties | 466 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 764 | Normal | - |
| 25 | AID | ASG | 3 | Other revenue | 1,314 | Normal | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 26 | AiST | ACN | 3 | Sales revenue | $ 238 | Normal | - |
| | | ACN | 3 | Receivables from related parties | 227 | 90 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 1,482 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 2,491 | Normal | - |
| 27 | AMX | Advantech Co., Ltd. | 2 | Receivables from related parties | 241 | Immediate payment | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 2,108 | Normal | - |
| 28 | AdvanPOS Technology Co., Ltd. | AiSC | 3 | Receivables from related parties | 846 | 30 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 6 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales revenue | 355 | Normal | - |
| | | AKMC | 3 | Receivables from related parties | 8 | 30 days after invoice date | - |
| | | ATH | 3 | Receivables from related parties | 80 | 30 days after invoice date | - |
| | | AiST | 3 | Receivables from related parties | 25 | 30 days EOM | - |
| | | AdvanPOS Technology Shanghai Co., Ltd. | 3 | Receivables from related parties | 2,527 | 30 days after invoice date | - |
| | | AiSC | 3 | Sales revenue | 9,813 | Normal | - |
| | | AKMC | 3 | Sales revenue | 11 | Normal | - |
| | | ATH | 3 | Sales revenue | 445 | Normal | - |
| | | AiST | 3 | Sales revenue | 281 | Normal | - |
| | | AiSC | 3 | Other revenue | 85 | Normal | - |
| | | AKMC | 3 | Other revenue | 10 | Normal | - |
| 29 | AdvanPOS Technology Shanghai Co., Ltd. | AdvanPOS Technology Co., Ltd. | 3 | Sales revenue | 3,213 | Normal | - |
| 30 | Advantech Corporate Investment | AdvanPOS Technology Co., Ltd. | 3 | Other revenue | 862 | Normal | - |
| | | Advantech-LNC Technology Co., Ltd. | 3 | Other revenue | 31 | Normal | - |

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

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

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

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of September 30, 2014, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2014.

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

(Concluded)