股票代號：2395

ADVANTECH

Enabling an Intelligent Planet

2014 ANNUAL REPORT

Advantech Co., Ltd.

Printing date: April 30, 2015
Website: http://mops.twse.com.tw

I. Name, title, and phone of the spokesman:

【Spokesman】 Name: William Tseng
Title: Special Aide to the Chairman
Tel.: (02)2792-7818
E-mail: william.tseng@advantech.com.tw

II. Headquarters, Branches, and Plant address and phone:

【Headquarters】 Address: No. 1, Alley 20, Lane 26, Rueiguang Road, Neihu District, Taipei City
Tel.: (02)2792-7818

【Factory】 Hsintien Module Factory
Address: 3~4F, No. 10/12, Lane 130, Min-Chuan Road, Hsintien City
Tel.: (02)2218-4567
Hsintien Single Board Computer Factory
Address: 3F, No. 5/7/9, Lane 130, Min-Chuan Road, Hsintien City
Tel.: (02)2218-4567 (Representative No.)
Donghu LCD Computer Factory
Address: 5F, No. 1, Lane 169, Corning Street, Sijhih City
Tel.: (02)2692-6076 (Representative No.)
Donghu Industrial Computer Factory
Address: 6F, No. 1, Lane 169, Corning Street, Sijhih City
Tel.: (02)2692-6076 (Representative No.)
Linkou Industrial Park
Address: No. 27, Wende Road, Guishan District, Taoyuan City
Tel.: (02)2792-7818 (Representative No.)

III. Name, address, and phone of the Stock Agency

Name: KGI Securities Co., Ltd. −Stock Agency Department
Address: 5F, No. 2, Chongqing S. Road, Sec. 1, Taipei City
Website: www.kgieworld.com.tw
Tel.: (02)2389-2999

IV. Name, Firm, address, and phone of the acting independent auditors:

CPAs: Meng Chieh Chiu and Chin Hsiang Chen
CPA Firm: Deloitte Taiwan
Address: 12F, No. 156, Min-Sheng E. Road, Taipei City
Website: www.deloitte.com.tw
Tel.: (02)2545-9988

V. Foreign securities exchange corporation listing: None

VI. Website: http：//www.advantech.com.tw

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Letter to Shareholders

Dear Shareholders,

Advantech thanks the shareholders for their long-term support and encouragement. Through the efforts of all staff, the gross margin in 2014 included consolidated operating income for an amount of NT$35,731,699 thousand and net income for an amount of NT$4,932,010 thousand, representing an increase of 16.54% in consolidated operating income and 19.5% in net income over the year before; also, earnings per share was NT$7.8, consolidated gross profit was 40.3%, and gross margin was 15.4%.

The Smart City and Internet of Things (IoT) have clearly become the next wave of growth momentum. According to Gartner Research, the demand for connected device will surge to one trillion by 2040. Apparently, global demand for connected device will grow dramatically in the era of IoT. Gartner report further indicated that there would be US$166 billion invested in the IoT industry by 2020, especially in the transportation, retail, warehousing, medical, and manufacturing sectors. Even though many reports and studies have pointed out the tremendous opportunities afforded by the IoT; IoT is still in the early stages of development. Advantech, in addition to general IOT platform, is particularly optimistic about industry 4.0, intelligent retail, and smart city, will participate in the business incubation of system resolutions, and continue to deploy the long-term value chain.

The main strategies are illustrated as follows:

- **Developing PaaS (Platform as a Service), Providing Value-added Software to Drive Hardware Sales**

  WISE-Cloud (Wireless IoT Solutions Embedded Cloud) is a platform that Advantech designed to fulfill the needs of the IoT industry. Especially, PaaS services will form the key element that accelerates Taiwan's Smart City and IoT industry; this will be Advantech's investment focus.

  Advantech will base on the PaaS "sharing economy" strategy to accelerate the development of IoT industry and look forward to realizing value-added software operation through PaaS Building Block Provider.

- **Activate the evolvement of global marketing into Sector-Lead 2.0 business model:**

  In response to the industry demands under the Smart City and IoT generation, Advantech will have the internal organization reformed as a Sector-Lead. The organization will be reformed from the product-oriented and region-oriented operation to industry-oriented operation with a global integration. The focus is on the vertical development of digital logistics and fleet management, digital healthcare, intelligent retail, intelligent construction, and iFactory 4.0 automation and intelligent robots.

- **Connecting to corporate research units and downstream key customers and actively nurturing large system integrators in Taiwan and China**

The key value of IoT and smart city industry is the industry systems integrators in various vertical applications fields. However, it is difficult to have medium and large-scale system integrators formed in Taiwan under current environment. In order to significantly enhance medium and large-scale integrators formed in Taiwan, the systems integration company formed through the support of government, the R&D talents of research institutions, such as, Industrial Technology Research Institute (ITRI) and Smart Network System Institute (SNSI), and together with the marketing management personnel from private sector can truly lead to have smart city's industrial chain formed in Taiwan and various industries systems constructed.

Advantech will be actively involved and participated in this manner in order to accelerate nurturing medium and large-scale systems integrators in Taiwan with a focus on the industry of intelligent manufacturing, intelligent construction and energy saving, smart automotive, and smart retail.

Strengthening corporate governance evolution and establishing business leadership and sustainable operation

Strengthen the implementation of corporate governance, actively participate in corporate governance evaluation, and pursue to become one of the top-20% leading companies. Advantech's goal is in the pursuit of excellence and sustainable operation. The Company has also established the altruistic spirit as the business culture and the pursuit of the best and balanced interests of the society, shareholders, customers, and employees.

Advantech Co., Ltd.

Chairman K.C. Liu

II. Company Profile

1. Date of incorporation: September 7, 1981
2. Company history

Year	Important Events
1981	Decided the official company name as "Advantech Co., Ltd." and established at Sec. 2, Chongqing S. Road, Taipei City to operate the business of Desktop computer module measurement automation system. Invested a capital stock of NT$2,000 thousand.
1985	Increased the authorized and paid-in capital to NT$5,000 thousand. Reorganized the Company as a company limited and relocated it to the address at 3F, No. 80, Ningbo W. Street, Taipei City. Launched various standardized PC-Based Automatic Test System products.
1987	Relocated to the address at 2F-1, No. 76, Sec 3, Roosevelt Rd., Taipei City. Developed and produced PC/XT/AT Plug-in Data Acquisition Card (known as "PC-Lab Card Series") and launched domestically and internationally.
1989	Established Xindian factory at 4F, No. 10/12, Lane 130, Xindian City, Minquan Road, Taipei County. Implemented industrial computer (IPC) product line with smooth production and sales arranged successfully and became the second main product line other than PC-LabCard.
1990	Increased the authorized and paid-in capital to NT$25,000 thousand. Except for the factory, relocated all departments to the office at 4F, No. 108-3, Minquan Road, Taipei County.
1991	Increased the authorized and paid-in capital to NT$60,000 thousand. Integrated the in-house developed industrial-grade CPU Card and IPC Chassis into a complete industrial-grade PC. Offered a complete line of products to become a comprehensive PC system component supplier for industrial automation applications and formed an international recognition gradually.
1992	Introduced Industrial Workstation (industrial monitoring workstation) product series. Successful developed ADAM-4000 Series Remote Data Acquisition Module that became a breakthrough product of distal measurement signal processing and communication.
1993	Awarded with the 2^{nd} National Award of Small & Medium Enterprise by National Association of Small & Medium Enterprise and received ISO-9001 Quality Management System Certification. Developed AWS-850/860-II Industrial PC Workstation.
1994	Increased the authorized and paid-in capital to NT$120,000 thousand. Founded Advantech Germany with 100% equity acquired.

Developed overseas sales offices.
Cooperated with ITRI MIRL to introduce PC and industrial controllers and MotionControl Card.
Developed the embedded computer modules series.

1995 Increased the authorized and paid-in capital to NT$190,000 thousand.
Established Global Branch Offices – Singapore with 100% equity acquired.
Established Global Branch Offices - Budapest, Hungary with 30% equity acquired.

1996 Awarded with the 4th Award for Industrial Technology Advancement 骺 Outstanding Award, the MOEA, Taiwan, ROC
Established the QA laboratory to significantly improve product quality.
Symbol of Excellence Winner for ADAM-4000 Series, the MOEA, Taiwan, ROC

1997 Approved for public offering.
Increased the authorized capital to NT$1,000,000 thousand and the paid-in capital to NT$475,000 thousand.
Established an audit office and internal control and internal audit system.
Established subsidiaries in Japan, UK, and France with 100% equity acquired.
Merged the US subsidiary with 72.03% equity acquired.
Awarded with the 5th Award for Industrial Technology Advancement Most Outstanding Award, the MOEA, Taiwan, ROC
Symbol of Excellence Winner for PPC-102 series, the MOEA, Taiwan, ROC

1998 Increased the paid-in capital to NT$807,500 thousand.
Established subsidiaries in the Netherlands, Germany, and the Virgin Islands with 100% equity acquired. Established a joint venture in Italy with 25% equity acquired.
The equity of the US subsidiary was increased from 72.03% to 100%.
Purchased 834-ping land in Neihu.
PPC-102T Panel Computer received the 6th Gold National Award of Excellence, Taiwan, ROC
The 7th Symbol of Excellence Winner for PPC-140T Multi-Function Panel PC, Taiwan, ROC
PPC-140T Multi-Function Panel PC received the “Singapore Comdex Asia Best Hardware System Award.”
Symbol of Excellence Winner for ADAM-5000 Series Distributed DA & C System, Taiwan, ROC
Received ISO-14001 Environmental Management System Certification.
Awarded with the Most Representative Outstanding Company by Industrial Development Bureau, MOEA, Taiwan, ROC

1999 ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan.
Constructed Advantech Neihu Technology Building that was expected to be completed in the mid-2001.
The paid-in capital was increased to NT$1,307,000 thousand.
Purchased 2,147-ping land in Donghu and was stationed by the end of September.
Completed IPO on Taiwan Stock Exchange on 12/13.

2000 Increased the paid-in capital to NT$1,745,000 thousand.
Purchased additional 1,445-ping land at Donghu Plant.
Merged PCS for an amount of US$1.77 million.
Established the invested companies of Advantech Investment, Advantech

(Guangzhou Bond Zone) Co., ABR, AAC (BVI), AACB, APN, and AKL.
Awarded with the 2000 Outstanding Export & Import Performance Award by General Chamber of Commerce of the Republic of China

2001 Increased the paid-in capital to NT$2,334,294 thousand.
Moved into Advantech Headquarters in Neihu District, Taipei in July 2001.
Established AHK and AKMC and invested in AAU.
Symbol of Excellence Winner for WEB-2143 Web Controller, Taiwan, ROC
Symbol of Excellence Winner for EH-760 Home Terminal, Taiwan, ROC
Symbol of Excellence Winner for ES-510 Multimedia Web Payphone, Taiwan, ROC
Symbol of Excellence Winner for PPC-153T Panel Computer, Taiwan, ROC

2002 Increased the paid-in capital to NT$2,855,291 thousand.
Established AASC and invested in ABB and Axiomtek Co., Ltd.
Received the "2002 Headquarters Operation Certification" from the Industrial Development Bureau, MOEA.
Implemented the "Innovation Center Operations Plan Embedded Systems R&D Center" with the approval of the Department of Industrial Technology, MOEA
Accepted as the one and only Gold-Level Partner in Microsoft's Windows Embedded Partner ODM Category.
Symbol of Excellence Winner for EH-7102G/GH Home Appliance, Taiwan, ROC
Symbol of Excellence Winner for WebLink2059-BAR/CE/SDA/SKT Web-enabled Device Connection with PC Card, Taiwan, ROC

2003 Increase the paid-in capital to NT$3,413,039 thousand.
Established AEU and invested in Advantech Consulting Co., Ltd.
Received the "2003 Headquarters Operation Certification" from the Industrial Development Bureau, MOEA.
Symbol of Excellence Winner for ADAM-6000 Series of Intelligent data collection network control module, Taiwan, ROC

2004 Increased the paid-in capital to NT$3,742,962 thousand.
Won the 2004 Control Design Reader's Choice Award for "Single Board PC" First Prize.
FPM-3170 17" Flat Panel Monitor received "2004 Editor's Choice Award" First Prize under Human Machine Interface (HMI) category from Control Engineering Magazine (USA).

2005 Increased the paid-in capital to NT$4,489,003 thousand.
Formed strategic alliance with AsusTek to acquire 1.36% equity of AsusTek and AsusTek acquired 15% equity of Advantech through stock swap.
The 2005 Symbol of Excellence Winner for TPC-60S, UNO-3062, and AWS-8100G, Taiwan, ROC
Received the 2005 Readers' Choice Award for the 3rd prize of Industrial Computer from Control's Buyer's Guide, USA
Embedded Control Europe (ECE) magazine readers nominated TREK-755 Sunlight Readable Model for Gold Award of the 13th MOEA "Industrial Technology Advancement Award of Excellence."

2006 Increased the paid-in capital to NT$4,636,295 thousand.
Received Readers' Choice Award for Single Board Computer from Control

Designer Magazine, USA
Advantech received the 2nd "Corporate Social Responsibility Award" from Global Views Magazine, Taiwan, ROC
Advantech received Microsoft's "The Most Growth Award in Asia Award."
Advantech awarded by Intel with the "Intel Associate Partner of the Year" and "Multi-Core Solution Contest Award."

2007 Increased the paid-in capital to NT$4,915,770 thousand.
Advantech received the 3rd "Corporate Social Responsibility Award, Top Honor" in 2006 from Global Views Magazine, Taiwan, ROC
Advantech received the 1st "Corporate Social Responsibility Award from Commonwealth Magazine, Taiwan, ROC
ARK-3381 received Computex Taipei Best Choice Award.
The 15th Symbol of Excellence Winner for
UibQ-230/ARK-4170/ADAM-5550KW, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

2008 Increased the paid-in capital to NT$5,113,458 thousand.
Advantech received the 4th prize of the 2nd "Corporate Social Responsibility Award" from Commonwealth Magazine, Taiwan, ROC
The 16th Symbol of Excellence Winner for UbiQ350 / VITA350 / UNO-2182 / TPC-30T / TPC-32T / IPPC-7157A/IPPC-7158B, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

2009 Increased the paid-in capital to NT$5,161,337 thousand.
Established Shanghai Advantech Intelligent Services Co., Ltd. (AiSC).
Established Xi'An Advantech Software Co., Ltd.
Acquired Advantech Yang-Kwong Building as office building in Neihu, Taipei City.
Increased the paid-in capital to NT$5,161,337 thousand.
Awarded by Chinagkong with the "Decade Industrial Contribution" and "Decade Leading Industry."
The 18th Symbol of Excellence Winner for IPPC-8151S/APAX-5000 series / UNO-1100 series / UTC-W101E/ NCP-7560/MIC-5322, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
Advantech and the US subsidiary jointly acquired 60% equity of Advantech Brazil S/A (ABR).

2010 Advantech Co., Ltd. established Advantech Intelligent Co., Ltd.
Decreased the paid-in capital to NT$5,016,337 thousand.
Awarded with the "Taiwan Top 12 Global Brands" Award.
Advantech paid EUR12.85 million to acquire 100% equity of DLoG GmbH Company of Augusta Technologies AG.
Advantech paid 2,668 million Korean Won to acquire 100% equity of

Advantech KR Co., Ltd. of SG Advantech Co., Ltd.

2011 Advantech paid ￡3.34 million to acquire 100% equity of Innocore Gaming Ltd.

Increased the paid-in capital to NT$5,517,971 thousand.

Advantech paid NT$93 million to acquire 99.36% equity of ACA.

The 19th Symbol of Excellence Winner for ARK-VH200/ FWA-6500/ NCP-5260/ PC/104 / PCM 9562/PIT-1501W/ SOM-5788/ Advantech Touch Panel Computer / TREK-550, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

2012 Awarded with the “Taiwan Top 10 Global Brands Award.”

Increased the paid-in capital to NT$5,639,971 thousand.

Advantech paid NT$306 million to acquire 50% equity of Advansus Corp.

The 20th Symbol of Excellence Winner for TREK-753/ FPM-8151H/ ADAM-6117/ ADAM-6118/ ADAM-6150/ADAM-6151/ ADAM-6156/ ADAM-6160/ SOM-7562/ MIO-5270/ MIO-2260/ PCM-3363/ AIMB-213/ UNO-4600 Series/ ITM-5115R-PA1E/ ARK-DS220/ ARK-DS520/ IPC-6025, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

Ranked the 11th place among the Taiwan Top-20 Global Brand Award in 2012 with a brand value of US$260 million.

2013 Established India subsidiary (AIN).

Increased the paid-in capital to NT$5,652,059 thousand.

Awarded with the 11th place of the “2012 Corporate Citizen Award” by Commonwealth Magazine.

Advantech Industrial Automation Group - Human Machine Interfaces (HMI) TPC and SPC series won Germany iF product design award in 2013.

The 21st Symbol of Excellence Winner for FWA-6510/MIC-5332/ATCA-7310/MIO-5250/MIO-2261/ PCM-9389/ARK-1120/ARK-DS262/ARK-DS762/UBC-D31/ IDS-3115/IDK-2131/TREK-722/TPC-671/1071/1271/1571/ WebOP/BEMG-4110/4220/ADAM-2000/EKI-6340, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

Advantech paid NT$319 million to acquire 70.2% equity of POS maker AdvanPOS.

Advantech paid NT$730 million to acquire 100% equity of the professional controller manufacturer LNC.

2014 Advantech paid ￡5.85 million to acquire 100% equity of the wisdom embedded displays manufacturer GPEG in UK.

Increased the paid-in capital to NT$5,714,511 thousand.

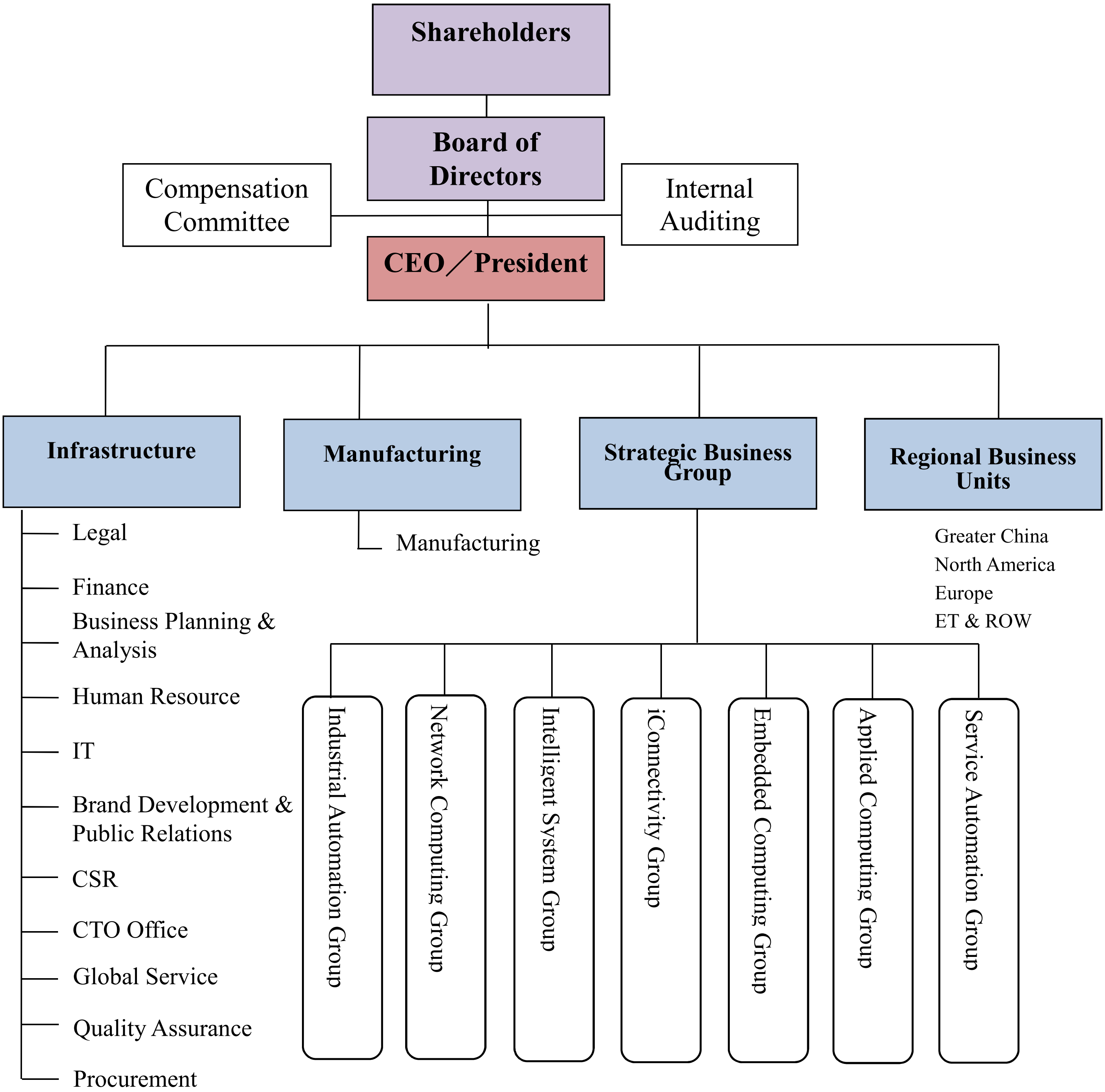
Advantech established Advantech Plus Technology Center (A+TC), Kunshan, China.

	Grand Opening of Advantech Linkou IoT Campus. Advantech received the CSR Best Workplace Excellent Award from Global Views Monthly in 2014. The 22nd Symbol of Excellence Winner for 16 products, including CGS-6000/ ATCA-9112/ Advantech WebAccess/ APAX-5620/ IDK-2110/TPC-1840WP / TPC-2140WP/SPC-1840WP/FPM-7181W/FPM-7211W/ADAM-6200 Series/EKI-3000 series /SOM-5894/ARK-1122F/UBC-200/ SOM-7567/ SOM-3565/ MIC-5333/ AMiS-50/POC-W181/IPS-M420, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. Formally established "Advantech Investment" Department within the organization to actively deploy smart city and Internet of Things (IoT) market. Composed Advantech Global smart city case studies for the publication of "Smart City" in the versions of Simplified Chinese and Traditional Chinese.
2015	Composed Advantech Global smart city case studies for the publication of "Smart City" in English. Increased the paid-in capital to NT$6,312,091 thousand The 23rd Symbol of Excellence Winner for 19 products, including TREK-674& TREK-306/PWS-870/UTX-3115/DPX-435(with DPX-S1000 chassis)/SOM-5893/SOM-6896/UBC-220/PCIE-181X/ Mic-3100/ARK-2151V/DS-862/MIT-M101/ATCA-9223/EKI-9778/ UNO-2000 Series/IDS-3121W/WebAccess 8.0/Pocket Pad/ARK-5261, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. MIT-M101 / MICA-071 were nominated for the 23rd "Symbol of Excellence" Award gold and silver medal prize.

III. Corporate Government Report

I. Organization

（1） Structure



（2）Responsibilities major functions

Main Department	Main Responsibilities
Internal Auditing	Review and evaluate the viability and effectiveness of internal control system and process; propose evaluation results and suggestions to ensure the soundness of corporate governance.
Legal	1. Review contracts and agreements 2. Handle company's lawsuits and disputes 3. Provide internal legal trainings and legal opinions
Finance	1. Responsible for budgeting, accounting, financial report, variance analysis; planning, management and control of tax administration, finance, and stock affairs. 2. Domestic and oversea financial statement preparation and analysis. 3. Operating performance of oversea investment 4. Cash flow management
Business Planning & Analysis	1. Annual business planning, projects implementation and goals setting. 2. Investment and affiliated companies management.
Human Resource	1. Work with business leaders to develop and execute human resources strategies. 2. Enhance employee satisfaction and employer brand. 3. Set human resources policies and compensation structure; develop and execute talent recruiting, training and empowerment. 4. Develop employees' core competencies.
IT	1. Information technology execution and management. 2. Crucial technology implementation and professional technical services.
Brand Development & Public Relations	1. Global branding promotion and company identity system. 2. Global branding marketing campaigns coordination and related marketing collaterals production. 3. Company's public relations.
CSR	Focus on "Enterprise-academic Collaboration," "Social care" and "employee care" to contribute to the society.
CTO Office	Manage innovation platform, build shared software and hardware development system, and develop core modules; Manage IPDM process and provide industrial design services.
Global Service	Provide one-stop global services and total solutions, including design, manufacture, quality management, procurement, logistics, assembly, after service and maintenance.
Quality Assurance	1. Coordinate with related department, including RD, manufacturing, sales and after services, to ensure and enhance product quality, monitor and prevent major quality deviation. 2. Plan company quality assurance system, to meet and satisfy clients and ISO requirements. 3. Control design process control and assure design quality in product development phase. 4. Ensure appliance of applied product regulations, and calibration process. 5. Monitor and enhance quality of products of factory and supply chains. 6. Plan and implement client services, and establish global services strategies to provide real-time service.

Procurement	1. Negotiate and purchase required components and equipment. 2. Develop new vendors of components and equipment in response to rapid changing technology evolution.
Manufacturing	Set annual production goal and progress control; manage manufacturing, production, material control and logistic support.
Industrial Automation Group	Provide product development, production, marketing and sales of industrial automation, IoT related products to clients.
Network Computing Group	Provide product development, production, and sales of network and communication related products to clients.
Intelligent System Group	Provide product development, production, marketing and sales of intelligent system integrated solution to clients.
iConnectivity Group	Provide product development, production, marketing and sales of industrial and intelligent internet system and integrated solution to clients.
Embedded Computing Group	Provide services development, production, and sales of embedded board, intelligent system, peripherals, software design and embedded services to clients.
Applied Computing Group	Provide product development, production, marketing and sales of computer systems for vertical industry applications, including healthcare, retail, fleet management, gaming, etc.
Service Automation Group	Provide product development, production, marketing and sales of intelligent services and computers of vertical applications to clients.

II. Information regarding directors, supervisors, management team and branch managers

（1）Information regarding directors and supervisors

Information regarding directors and supervisors

March 30, 2015

Title	Nationality	Name	Date elected (taken office)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Shares	%	Shares	%	Shares	%	股數 Shares	%			Title	Name	Relationship
Chairman	ROC	K.C. Liu	06.18.2014	3years	11.11.1985	21,185,897	3.71	23,292,484	3.69	1,197,672	0.19	0	0	Founder of Advantech: Former salesman of Instruments Dept. of Hewlett-Packard; Bachelor of Department of Telecommunications Engineering, Jiaotong University	Executive & Note 1	None	None	None
Director	ROC	Advantech Foundation. Representative Donald Chang	06.18.2014	3years	06.18.2014	16,594,810	2.90	18,244,889	2.89	0	0	0	0	President of Greater China of 3M	None	None	None	None
Director	ROC	Ted Hsu	06.18.2014	3years	05.25.2011	0	0	0	0	0	0	0	0	President of Asus Computer Department of Electrical Engineering, National Taiwan University	Note 2	None	None	None
Independent director	ROC	Jeff Chen	06.18.2014	3years	06.18.2014	0	0	0	0	0	0	0	0	VP of Stanley Black & Decker and President of Asia Region	None	None	None	None
Independent director	ROC	Joseph Yu	06.18.2014	3years	05.25.2011	227	0	249	0	0	0	0	0	PhD of Business Administration, University of Michigan Professor, Department of Business Administration, National Chengchi University	Note 3	None	None	None
Supervisor	ROC	AIDC Investment Coorp. Representative Cary Tseng	06.18.2014	3years	06.18.2014	67,886,113	11.88	74,636,266	11.82	0	0	0	0	Former Finance Officer of TSMC; Finance Officer of Foxconn Electronics University of Missouri – Columbia, MBA	Note 4	None	None	None
Supervisor	ROC	Thomas Chen	06.18.2014	3years	06.18.2014	537,516	0.09	561,963	0.09	0	0	0	0	Former President of Advantech, USA; Indiana University MBA	Note 5	None	None	None
Supervisor	ROC	James Wu	06.18.2014	3years	05.24.2005	0	0	0	0	0	0	0	0	Chairman of KPMG Bachelor of Law, Department of Economics, National Chung Hsing University	Note 6	None	None	None

Note 1: Simultaneously act as the chairman of the following companies:

Advantech Foundation、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)、Advantech Investment Fund-A Co., Ltd. Representative、Advansus Corp.Representative.、Advantech Technology (China) Company Ltd. (AKMC)、Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)、Xi'an Advantech Software Ltd. (AXA)、Advantech Intelligent Service (AiST) Representative、ACA Digital Corporation (ACA) Representative、K&M Imvestment Co.,Ltd.、AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative、Advantech-LNC Technology Co., Ltd. (ALTC) Representative、Advantech Japan Co., Ltd. (AJP)。Advantech Foundation, ACN, Legal representative of Advantech Investment Co., Ltd., Legal representative of Advansus Corp., AKMC, AiSC, Xi'An Advantech Software Co., Ltd., Legal representative of Advantech Intelligent Co., Ltd., Legal representative of ACA, CoChen Investment Co., Ltd., Legal representative of AdvanPOS Co., Ltd., Legal representative of LNC, and Advantech Japan Co., Ltd. (AJP).

Simultaneously act as the director of the following companies:
AIDC Investment Corp., Spring Foundation of NCTU, Pegatron Corporation, Eternity Intelligence Systems Co., Ltd., Representative,Advantech Europe B.V.(AEU), DLoG GmbH (DLoG), ADVANTECH INTERNATIONAL PT. (AID), Advantech Electronics,S. De R. L. De C. (AMX), Advantech Technology Co., Ltd. (ATC), HK Advantech Technology Co., Ltd. (ATC (HK)), Advantech Automation Corp.(BVI) (AAC(BVI)), Advantech Automation Corp.(HK) Limited.(AAC (HK)), Advantech Brazil Ltd. (ABR), Advantech Co. Singapore Pte, Ltd. (ASG), Advantech Corp.(ANA), Advantech Europe Holding B.V.(AEUH), Advantech Co., Malaysia Sdn.Bhd (AMY), Advantech Poland Sp z.o.o (APL), Advantech KR Co., Ltd. (AKR), Advantech Corporation (Thailand) Co., Ltd (ATH), and Advantech Industrial Computing India Private Limited (AIN), Better Auto Holdings Limited、Famous Now Limited。

Simultaneously act as the supervisor of the following companies:
Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the chairman of the following companies:
AsRock Inc., Hua Yu investment Co., Ltd., Haihua Technology Co., Ltd., and UctLABS

Simultaneously act as the director of the following companies:
Asuspower Corp., Asiarock Technology Limited, Leader Insight Holding, Calrock Holding, LLC, Firstplace International Limited, Pegatron Corporation, Hua Wei Investment Co., Ltd., Hua Xu Investment Co., Ltd., and ASMedia Co., Ltd.

Note 3: Simultaneously act as the independent director of the following companies:
Yuanta Securities Co., Ltd. and Yuanta Bank Co., Ltd.

Note 4: Simultaneously act as the director of the following companies: EE Solutions, Inc , F-Universal Technology Co., Ltd.

Simultaneously act as the supervisor of the following companies: XAC Automation Corp.

Note 5: Simultaneously act as the independent director of the following companies:
SinoPac Holdings and Global Scientech Inc. Eink Holdings Inc.

Note 6: Simultaneously act as the director of the following companies: Finance and Economics Research and Education Foundation

Simultaneously act as the independent director of the following companies: LiteOn Technology Corp. Wistron Corporation.

(1)Major institutional shareholders

March 30, 2015 (stop transfer date)

Institutional shareholders	Major shareholders of institutional shareholders (Note)
AIDC Investment Corp.	K.C. Liu Mary Chang Advantech Foundation

Note: Name of the major shareholders of institutional shareholders (Top-10 shareholding ratio)

(2)Major shareholders of institutional shareholders: NA

Information regarding directors and supervisor (II)

Requirements / Name	Over five years of experience and the following professional qualifications			Independence criteria (Note)										Serving as an independent director of another listed company
	University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8	9	10	
K.C. Liu			✓				✓			✓	✓	✓	✓	0
Donald Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Ted Hsu			✓	✓		✓	✓			✓	✓	✓	✓	0
Jeff Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Joseph Yu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Thomas Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
James Wu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Gary Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

Note: A "✓" is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

(1) Not employed by the company or an affiliated business.

(2) Not a director or supervisor of an affiliated company (this restriction does not apply to independent directors of subsidiaries in which the company or its parent company directly or indirectly holds over 50% of the shareholder voting rights).

(3) Not holding over 1% of company shares or being a top 10 natural person shareholder in one's own name, held by a spouse or underage child, or held by nominee agreement.

(4) Neither a spouse, second-degree relative, nor fifth degree direct relative of the persons listed under the previous three items.

(5) Neither a director, supervisor or employee of an institutional shareholder directly owning more than 5% of the company's outstanding shares, nor one of the company's top five institutional shareholders.

(6) Neither a director, supervisor, manager or shareholder holding more than a 5% stake in certain companies or institutions that have a financial or business relationship with the company.

(7) Does not provide professional commercial, legal, financial, accounting services or consulting to the company or its affiliated companies nor is an owner, partner, director, supervisor, manager in a proprietorship, partnership, company or institution that provides neither such services nor the spouse of such officeholders.

(8) Not a spouse or second-degree relative of any other director.

(9) Standing does not match any of the scenarios described in Article 30 of the Company Law.

(10) Was not elected as the shareholder representative for a government agency or legal person pursuant to Article 27 of the Company Law.

（2）Information regarding the President, Vice President, Assistant Vice Presidents, and department and branch Managers

March 30, 2015

Title	Nationality	Name	Date elected (taken office)	Shareholding		Shareholdings by spouse and underage children		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Spouse or relatives within two degrees who are managers		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Executive	ROC	K.C. Liu	06.01.2003	23,292,484	3.69	1,197,672	0.19	0	0	Founder of Advantech Co., Ltd. Salesman of Instruments Dept. of Hewlett-Packard Bachelor of Department of Telecommunications Engineering, Jiaotong University	Note 1	None	None	None
President	ROC	Chaney Ho	05.01.2004	704,011	0.11	209,630	0.03	0	0	President of Li-Wei Company Tatung Institute of Technology	Note 2	None	None	None
Vice President	ROC	Deyu Yin	09.30.2004	0	0	786,828	0.12	0	0	Director of Human Resources, Delta Group Bachelor of Economics, National Taiwan University Tulane University EMBA	None	None	None	None
Vice President	ROC	Albert Huang	09.30.2004	569,947	0.09	10,501	0	0	0	Project Manager of Ju Teng Technology Institute of Management Science, Tamkang University	Note 3	None	None	None
Vice President	ROC	Eric Chen	11.18.2011	291,837	0.05	0	0	0	0	Elitegroup Computer Systems Co., Ltd. Tai Sen Enterprise Co., Ltd. Department of Computer Science, Tamkang University	Note 4	None	None	None
Accounting Officer	ROC	Rorie Kang	04.13.2011	3,409	0	0	0	0	0	Affiliates of Advantech Group Senior Accountant Department of Accounting, Chung Hsing University	None	None	None	None

Note 1: Simultaneously act as the chairman of the following companies:

Advantech Foundation、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)、Advantech Investment Fund-A Co., Ltd. Representative、 Advansus Corp.Representative. 、Advantech Technology (China) Company Ltd. (AKMC)、Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)、Xi'an Advantech Software Ltd. (AXA)、Advantech Intelligent Service (AiST) Representative、ACA Digital Corporation (ACA) Representative、K&M Imvestment Co.,Ltd.、AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative、Advantech-LNC Technology Co., Ltd. (ALTC) Representative、Advantech Japan Co., Ltd. (AJP)。Advantech Foundation, ACN, Legal representative of Advantech Investment Co., Ltd., Legal representative of Advansus Corp., AKMC, AiSC, Xi'An Advantech Software Co., Ltd., Legal representative of Advantech Intelligent Co., Ltd., Legal representative of ACA, CoChen Investment Co., Ltd., Legal representative of AdvanPOS Co., Ltd., Legal representative of LNC, and Advantech Japan Co., Ltd. (AJP).

Simultaneously act as the director of the following companies:

Advantech Investment Co., Ltd., Spring Foundation of NCTU, Pegatron Corporation, Legal representative of Eternity Intelligence Systems Co., Ltd., Advantech Europe B.V. (AEU), DLoG GmbH (DLoG), ADVANTECH INTERNATIONAL PT. (AID), Advantech Electronics,S. De R. L. De C. (AMX), Advantech Technology Co., Ltd. (ATC), HK Advantech Technology Co., Ltd. (ATC (HK)), Advantech Automation Corp.(BVI)(AAC(BVI)), Advantech Automation Corp.(HK) Limited (AAC (HK)), Advantech Brazil Ltd. (ABR), Advantech Co. Singapore Pte, Ltd. (ASG), Advantech Corp.(ANA), Advantech Europe Holding B.V.(AEUH), Advantech Co., Malaysia Sdn.Bhd (AMY), Advantech Poland Sp z.o.o (APL), Advantech KR Co., Ltd. (AKR), Advantech Corporation (Thailand) Co., Ltd. (ATH), and Advantech Industrial Computing India Private Limited (AIN), Better Auto Holdings Limited、Famous Now Limited。

Simultaneously act as the supervisor of the following companies:

Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.(ACN)、Shanghai Advantech Intelligent Services Co., Ltd.(AiSC) 、Advantech Technology (China) Company Ltd.(AKMC)、Advantech Intelligent Service (AiST)、Advantech Co., Malaysia Sdn.Bhd (AMY)、Advantech KR Co., Ltd. (AKR)。

CAN, AiSC, AKMC, Advantech Intelligent Co., Ltd., Advantech Co., Malaysia Sdn.Bhd (AMY), and Advantech KR Co., Ltd. (AKR).

Note 3: Simultaneously act as the director of the following companies:

Cermate Technologies Inc、Advantech-LNC Technology Co., Ltd.

Note 4: Simultaneously act as the supervisor of the following companies:

Advantech Intelligent Service、Advantech Intelligent Services Co., Ltd.(AiSC)。

（3）Remuneration paid to Directors, Supervisors, Presidents, and Vice Presidents in the most recent year

(1) Remuneration paid to Directors (including Independent Directors)

Unit: NT$ Thousand

Title	Name	Directors' remuneration								Combined A, B,C, and D total compensation as % of net income after tax (Note 11)		Remuneration paid to directors who also employees												Combined A, B, C, D,E,F, and G total amount as % of net income after tax (Note 11)		Compensation from non-subsidiary companies (Note 2)
		Compensation (A) (Note 2)		Pension upon retirement (B)		Profit distribution (C) (Note 3)		Business expenses (D)(Note 4)				Salary, bonus and special discretionary allowance (E) (Note 5)		Pension upon retirement (F)		Employee profit sharing (G) (Note 6) (proposed)				Number of employee stock options granted (H)(Note 7)		Number of new shares with limited rights acquired (I) (Note 13)				
		Advantech	Consolidated subsidiaries (Note 8*)	Advantech	Consolidated subsidiaries (Note 8)	Advantech	Consolidated subsidiaries (Note 8)	Advantech	Consolidated subsidiaries (note 8)	Advantech	Consolidated subsidiaries (Note 8)	Advantech	Consolidated subsidiaries (Note 8)	Advantech	Consolidated subsidiaries (Note 8)	Advantech		Consolidated subsidiaries (Note 8)		Advantech	Consolidated subsidiaries (Note 8)	Advantech	Consolidated subsidiaries (Note 8)	Advantech	Consolidated subsidiaries (Note 8)	
																Cash dividend	Stock dividend	Cash dividend	Stock dividend							
Chairman	K.C.Liu	0	0	0	0	8,400	8,400	0	0	0.17%	0.17%	6,622	6,622	0	0	487	0	487	0	0	0	0	0	0.32%	0.32%	0
Independent Director	Advantech Foundation Representati Donald Chang																									
Director	Ted Hsu																									
Director	Jeff Chen																									
Independent Director	Joseph Yu																									

Range of Remuneration

Range of remuneration paid to Directors of Advantech	Names of Directors			
	First four categories of remuneration (A+B+C+D)		First seven categories of remuneration (A+B+C+D+E+F+G)	
	Advantech (Note 9)	Consolidated subsidiaries (Note 10) I	Advantech (Note 9)	Consolidated subsidiaries (Note 10) J
Less than NT$2,000,000	Advantech Foundation, Ted Hsu, Jeff Chen and Joseph Yu	Advantech Foundation, Ted Hsu, Jeff Chen and Joseph Yu	Advantech Foundation, Ted Hsu, Jeff Chen and Joseph Yu	Advantech Foundation, Ted Hsu, Jeff Chen and Joseph Yu
NT$2,000,000 (inclusive) – NT$5,000,000	K.C. Liu	K.C. Liu	-	-
NT$5,000,000 (inclusive) – NT$10,000,000	-	-	K.C. Liu	K.C. Liu
NT$10,000,000 (inclusive) – NT$15,000,000	-	-	-	-
NT$15,000,000 (inclusive) – NT$30,000,000	-	-	-	-
NT$30,000,000 (inclusive) – NT$50,000,000	-	-	-	-
NT$50,000,000 (inclusive) – NT$100,000,000	-	-	-	-
More than NT$100,000,000	-	-	-	-
Total	-	-	-	-
	5	5	5	5

Note 1: Illustrate the name of each director (the institutional shareholder and its representative should be illustrated separately) and disclose the payment amount in a lump sum. Please fill out this form and form (3-1) or (3-2) for the director who is also the President or Vice President of the Company.

Note 2: Refers to the remuneration (including director salary, duty allowances, severance pay, various bonuses, incentives, etc.) paid to the directors in the most recent year.

Note 3: Refers to the remuneration to directors from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting.

Note 4: Refers to the relevant business expenses of the directors in the most recent year (including traveling expenses, special expenses, allowances, dormitories, and transportation vehicles). For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note 5: Refers to the salary, job allowance, severance pay, resignation compensation, prize money, incentive payments, traveling expenses, special expenses, allowances, dormitories, and transportation vehicles paid to the directors who are also employees (including concurrent President, Vice President, other managers, and employees) in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note 6: Refers to the employee bonuses (including stock dividend and cash dividend) paid to the directors who are also employees (including concurrent President, Vice President, other managers, and employees) in the most recent year. The employee bonus amount from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting should be disclosed. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally with Table 1-3 filled out.

Note 7: Refers to the number of shares (excluding the portion executed) to be subscribed by the directors who are also employees (including concurrent President, Vice President, other managers, and employees) with stock options in the most recent year and up to the publication of the annual report. In addition to this form, please fill out Table 15.

Note 8: The remuneration amount paid to the board directors of Advantech by the companies (including Advantech) in the consolidated report should be disclosed.

Note 9: Disclose the name of the directors in the respective range of remuneration paid by the Company.

Note 10: Disclose the name of the directors in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.

Note 11: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

Note 12: a.The remuneration amount received by the board directors from the invested companies other than the subsidiaries should be disclosed in this column.

b.The remuneration amount, if any, received by the board directors from the invested companies other than the subsidiaries should be disclosed in column J of the Range of Remuneration; also, the column should be renamed as "All transfer-investment businesses."

c.Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the board directors of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.

Note 13: Refers to the number of news shares with limited rights received by the directors who are also employees (including concurrent President, Vice President, other managers, and employees) up to the publication of the annual report. In addition to this form, please fill out Table 15-1.

＊The remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

(2)Remuneration paid to supervisor

Unit: NT$ Thousand

Title	Name	Compensation paid to supervisor						Combined A, B, and C total amount as % of net income after tax (Note 8)		Compensation from non-subsidiary companies (Note 9)
		Remuneration (A) (Note 2)		Profit distribution (B) (Note 3)		Business expenses (C)(Note 4)				
		Advantech	Consolidated subsidiaries (Note5)	Advantech	Consolidated subsidiaries (Note 5)	Advantech	Consolidated subsidiaries (Note 5)	Advantech	Consolidated subsidiaries (Note 5)	
Supervisor	AIDC Investment Corp. Representative: Gary Tseng	0	0	3,600	3,600	0	0	0.07%	0.07%	0
Supervisor	Thomas Chen									
Supervisor	James Wu									

Range of remuneration

Range of remuneration paid to supervisors of Advantech	Name of supervisors	
	First three categories of remuneration (A+B+C)	
	Advantech (Note 6)	Consolidated subsidiaries (Note 7) D
Less than NT$2,000,000	AIDC Investment Corp, Thomas Chen, James Wu	AIDC Investment Corp, Thomas Chen , James Wu
NT$2,000,000 (inclusive) – NT$5,000,000	-	-
NT$5,000,000 (inclusive) – NT$10,000,000	-	-
NT$10,000,000 (inclusive) – NT$15,000,000	-	-
NT$15,000,000 (inclusive) – NT$30,000,000	-	-
NT$30,000,000 (inclusive) – NT$50,000,000	-	-
NT$50,000,000 (inclusive) – NT$100,000,000	-	-
More than NT$100,000,000	-	-
Total	3	3

Note 1: Illustrate the name of each supervisor (the institutional shareholder and its representative should be illustrated separately) and disclose the payment amount in a lump sum.
Note 2: Refers to the remuneration (including supervisor salary, duty allowances, severance pay, various bonuses, incentives, etc.) paid to the supervisors in the most recent year.
Note 3: Refers to the remuneration to supervisors from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting.
Note 4: Refers to the relevant business expenses of the supervisors in the most recent year (including traveling expenses, special expenses, allowances, dormitories, and transportation vehicles). For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.
Note 5: The remuneration amount paid to the supervisors of Advantech by the companies (including Advantech) in the consolidated report should be disclosed.
Note 6: Disclose the name of the supervisors in the respective range of remuneration paid by the Company.
Note 7: Disclose the name of the supervisors in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.
Note 8: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.
Note 9:a. The remuneration amount received by the supervisors from the invested companies other than the subsidiaries should be disclosed in this column.
b.The remuneration amount, if any, received by the supervisors from the invested companies other than the subsidiaries should be disclosed in column D of the Range of Remuneration; also, the columnshould be renamed as "All transfer-investment businesses."
c. Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the supervisors of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.

＊The remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

(3)Remuneration paid to the presidents and vice presidents

Unit: NT$ Thousand / Thousand units

Title	Name	Salary (A) (Note 2)		Pension upon retirement (B)		Cash incentives and special discretionary allowance etc. (C) (Note 3)		Employee profit sharing (D) (Note 4)				Combined A, B, C, and D total remuneration in % of net income (Note 9)		Employee stock options granted (Note 5)		Number of new shares with limited rights acquired (Note 11)		Compensation from non-subsidiary companies (Note 10)
		Advantech	Consolidated subsidiaries (Note 6)	Advantech	Consolidated subsidiaries (Note 6)	Advantech	Consolidated subsidiaries (Note 6)	Advantech		Consolidated subsidiaries (Note 6)		Advantech	Consolidated subsidiaries (Note 6)	Advantech	Consolidated subsidiaries (Note 6)	Advantech	Consolidated subsidiaries (Note 6)	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend							
Executive	K.C. Liu	15,480	15,480	0	0	14,919	14,919	1,995	0	1,995	0	0.66%	0.66%	500	500	0	0	0
President	Chaney Ho																	
Vice President	Deyu Yin																	
Vice President	Albert Huang																	
Vice President	Eric Chen																	

Range of Remuneration

Range of remuneration paid to the President and Vice Presidents of Advantech	Name of the President and Vice President	
	Advantech (Note 7)	Consolidated subsidiaries (Note 8) E
Less than NT$2,000,000	-	-
NT$2,000,000 (inclusive) – NT$5,000,000	-	-
NT$5,000,000 (inclusive) – NT$10,000,000	K.C. Liu, Chaney Ho, Deyu Yin, Albert Huang, Eric Chen	K.C. Liu, Chaney Ho, Deyu Yin, Albert Huang, Eric Chen
NT$10,000,000 (inclusive) – NT$15,000,000	-	-
NT$15,000,000 (inclusive) – NT$30,000,000	-	-
NT$30,000,000 (inclusive) – NT$50,000,000	-	-
NT$50,000,000 (inclusive) – NT$100,000,000	-	-
More than NT$100,000,000	-	-
Total	5	5

Note 1: Illustrate the name of the President and Vice President and disclose the payment amount itemized. Please fill out this form and form (1-1) or (1-2) for the director who is also the President or Vice President of the Company.

Note 2: Refers to the salary, duty allowances, and severance paid to the President and Vice President in the most recent year.

Note 3: Refers to the reward, incentives, traveling expenses, special expenses, allowances, dormitories, transportation vehicles, and other compensations paid to the President and Vice President in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but theamount will not be included in the total remuneration amount.

Note 4: Refers to the employee bonus (including stock dividend and cash dividend) to the President and Vice President from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally with Table 1-3 filled out.

Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in theproprietary or individual financial report of the most recent year.

Note 5: Refers to the number of shares (excluding the portion executed) to be subscribed by the President and Vice President with stock options in the most recent year and up to the publication of the annual report. In addition to this form, please fill out Table 15.

Note 6: Disclose the itemized amount paid to the President and Vice President by all the companies (including the Company) in the consolidated financial statements.

Note 7: Disclose the name of the President and Vice President in the respective range of remuneration paid by the Company.

Note 8: Disclose the name of the President and Vice President in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.

Note 9: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

Note 10: a.The remuneration amount received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in this column.

b.The remuneration amount, if any, received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in column E of the Range of Remuneration and the column should be renamed as "All transfer-investment businesses."

c. Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the President and Vice President of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.

Note 11: Refers to the number of news shares with limited rights received by the directors who are also employees (including concurrent President, Vice President, other managers, and employees) up to the publication of the annual report. In addition to this form, please fill out Table 15-1.

*he remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

<u>Employee bonus amount paid to managers</u>

March 30, 2015

	Title (Note 1)	Name (Note 1)	Stock bonus amount (proposed)	Cash bonus amount (proposed)	Total	Total as % of net income after tax
Manager	Executive	K.C. Liu	0	2,157	2,157	0.04%
	President	Chaney Ho				
	Vice President	Deyu Yin				
	Vice President	Albert Huang				
	Vice President	Eric Chen				
	Accounting Officer	Rorie Kang				

＊It refers to the employee bonus (including stock dividend and cash dividend) to the managers from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally. Net income meant for the net profit after tax in the most recent year.

Note 1: Illustrate the name and job title of each manager and disclose the distribution of earnings in a lump sum.

Note 2: Scope of applicability to managers, according to the Tai.Chai.Chen III Tzi No. 0920001301 Letter dated March 27, 2003 by the Commission, is as follows:

(1)President and the equals
(2)Vice President and the equals
(3)Junior VP and the equals
(4)Finance Officer
(5)Accounting Officer
(6)Other authorized personnel for management and signature

Note 3: For the directors, President, and Vice President who have collected employee bonuses (including stock dividend and cash dividend), in addition to Table 1-2 enclosed, please fill out this form.

（四）Analyze the ratio of the total remuneration paid to the Company's directors, supervisors, President, and Vice President in the last two years by the Company and all the consolidated subsidiaries to the net income in the proprietary or individual financial report. Explain the remuneration policy, standards, and combinations, remuneration determination procedures, and the relevance of operating performance and future risks.

1.Analysis of total compensation paid to directors, supervisors, presidents, and vice presidents as a percentage of net income in the last two years:

Job Title	Ratio of 2014 total remuneration to net income (%)		Ratio of 2013 total remuneration to net income (%)	
Directors, supervisor, President, and Vice President	Advantech	All consolidated subsidiaries	Advantech	All consolidated subsidiaries
	1.22%	1.22%	1.81%	1.81%

Note: Refers to the annual earnings. The distribution of the 2014 earnings is not yet determined; therefore, it is calculated in accordance with the actual amount distributed in 2013 proportionally.

2.The Company's remuneration policy, standards, and combinations, remuneration determination procedures, and the relevance of operating performance and future risks.

The Company has the remuneration to the directors, supervisors, and managers paid in accordance with the Company's remuneration policy after the Remuneration Committee's referring to the general standards of the industry, the corporate performance, individual performance, and the connection and reasonability of future risks; also, the Board of Directors' considering the remuneration amount, payment method, the Company's future risks, and presenting for resolutions in the shareholders' meeting.

III. Corporate governance practices and status of compliance

(1) Operations of the Board of Directors

The Board held 10 meetings (A) in 2014 with the attendance record of Board members as follows:

Title	Name (Note 1)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	K.C. Liu	10	0	100%	Reelected
Director	Advantech Foundation Representative: Gary Tseng	3	1	75%	Former director and the term expired on June 18, 2014
Director	Advantech Foundation: Representative: Donald Chang	6	0	100%	Newly elected
Director	Ted Hsu	10	0	100%	Reelected
Independent director	Joseph Yu	10	0	100%	Reelected
Independent director	Allen Fan	4	0	100%	Former independent director and the term expired on June 18, 2014
Independent director	Jeff Chen	5	1	83%	Newly elected

Other required information:

1. Concerning items listed in Article 14-3 of the Securities Exchange Act as well as items in board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, the board meeting date, period, content of the resolution, opinions of all independent directors, and the company's handling of the opinions of the independent directors should be clearly stated in the minutes of meeting: None.
2. When a director recuses himself or herself from a resolution, the director's name, content of the resolution, reason for recusal, and participation in voting should be clearly stated in the minutes of meeting: None
3. Assessment of the goals and implementation of strengthening the functions of the board of directors (such as, the establishment of an Audit Committee and increasing information transparency, etc.) during the current year and previous year:

In order to substantiate corporate governance and strengthen the role of the board of directors, the Company had two independent directors appointed in accordance with Article 14-2 of the Securities Exchange Act; also, an Audit Committee was formed in September 2011 to help the board of directors implement the remuneration management function.

(2) Operations of the Audit Committee and the participation of supervisors in the Board operation:
1. Participation of supervisors in the Board operation

The Board held 10 meetings (A) in 2014 with the attendance record of supervisors as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	AIDC Investment Corp. Representative : Thomas Chen	4	100%	Former supervisor and the term expired on June 18, 2014
Supervisor	AIDC Investment Corp. Representative : Gary Tseng	6	100%	Newly elected
Supervisor	Sharon Su	4	100%	Former supervisor and the term expired on June 18, 2014
Supervisor	Thomas Chen	6	100%	Newly elected
Supervisor	James Wu	10	100%	

Other required information:

1. The composition and duties of supervisors:
   (1) Communication between the supervisors and the staff and shareholders of the Company: Supervisor may communicate to the employees and shareholders directly when it is necessary.
   (2) Communication between the supervisors and the internal chief auditor and accountant:
      1) Chief auditor is to present the audit report to the supervisor in the following month of the audit competed.
      2) Supervisors are to communicate the financial condition with the accountant in person or in writing on a quarterly basis.
2. Concerning the statement made by the supervisors in the board meeting, the board meeting date, period, content of the resolution, board resolutions, and the company's handling of the opinions of the supervisors should be clearly stated in the minutes of meeting: None.

2. The operation of the Audit Committee: The Company did not have an Audit Committee set up; therefore, it is not applicable.

(3) The Company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause

Assessment Items	Operation			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
1、Does the Company base on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles?	V		The Company has based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles for guidelines on the MOPS.	None
2、The Company's equity structure and shareholders' equity (1) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly? (2) Does the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders? (3) Does the Company establish and implement the risk control and firewall mechanism with the related parties? (4)Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	V V V V		(1) The Company has a spokesperson, stock affairs supervisor, and associated person assigned to effectively handle shareholder's suggestions or disputes. Legal issues, if any, will be handled with the assistance of the legal affair personnel. (2) Regularly disclose the pledge, increase or decrease of shareholding, or the occurrence of other events that may cause significant changes in the shares of the shareholders with over 10% shareholding; also, maintain a good relationship with the major shareholder at any time for control. (3) The management responsibilities of the Company and the affiliated enterprises are clearly defined; also, business transactions are conducted in compliance with the Company's internal control system and the relevant requirements. For strengthening the control mechanism, the procedures for monitoring subsidiaries are regulated with proper risk control. (4)The Company has the "Procedures for Preventing Insider Trading" setup to prevent insider trading from happening.	None
3、Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors have diversified policies regulated and implemented substantively according	V		(1) The directors of the Company are in different fields of expertise that is helpful to the Company's development and operations.	None

Assessment Items	Operation			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
to the composition of the members? (2) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? (3) Does the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year? (4)Does the Company have the independence of the public accountant evaluated regularly?	V V V		(2)The Company has the Remuneration Committee setup lawfully. The Company's corporate governance is operated by each department according to its specific job responsibilities. The Company does not have the Audit Committee and other functional committees set up, but will depend on the needs and assessment in the future to further decide. (3)The Company has the "Rules Governing the Performance Evaluation of the Board of Directors" setup to conduct an internal committee performance evaluation every year, which includes the internal self-assessment of the Board, self-assessment of the board members, peer assessment, commissioned external professional institutions, specialists, or other appropriate means to conduct a performance evaluation. (4)The Company's board of directors regularly assesses the independence of the CPAs every year and acquires the Declaration of Independence from the CPAs.	
4、Does the Company have established a communication channel for the stakeholders, set the stakeholder column on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	V		(1)The Company has a spokesperson, stock affairs supervisor, and associated person assigned to establish a comprehensive communication channel, and regularly or irregularly held briefings to offer a face-to-face and comprehensive communication interface targeting on various issues and inquiries. (2)The Company sets up the Advantech CSR website in English and the stakeholder section on the Company's website. The Company also responds to the stakeholder's concern over CSR issues through stakeholder questionnaire, notice of collection, website, and CSR reports.	None
5、Does the Company have commissioned a professional stock affairs service agent to handle shareholders affairs?	V		The Company commissioned a professional stock affairs service agent - KGI Securities Co., Ltd. Shareholder Service Department to handle the Company's stock service matters, and with the	None

Assessment Items	Operation			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
			"Guidelines for Handling of Stock Affairs" stipulated to regulate the relevant operations.	
6、Information disclosure （1）Does the Company have a website setup and the financial business and corporate governance information disclosed? （2）Does the Company have adopted other information disclosure methods (such as, establishing an English website, designating responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V V		(1)The company profile and business information is disclosed in the Company's website with the shareholder's section setup to disclose financial information and corporate governance; also, to establish a communication channel for communicating to investors. (2)The Company has information fully disclosed through the English website, assigning the Investor Relations Commissioner for information collection and disclosure, a clear spokesperson system, and the investor conference on the Company's website.	None
7、Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		（1）（Collective Bargaining Agreement）保障。The interests of employees and employee care: Offer staff salaries higher than the minimum wage defined in the Labor Standards Act, better employee benefits than the industry standard, insurance coverage and pension benefits according to the law; also, group insurance and overseas business traveling insurance in order to protect the work and life safety of colleagues. Regulate labor safety and health code, exercise Job Equality Act, provide safe, healthy, and harassment-free working environment and culture, and achieve ISO-14001 (Environmental Management International Standard) and OHSAS-18001 (Occupational Health and Safety Management System) certification. Initiate two performance evaluations of the colleagues during the middle of the year and at the end of the year in order to achieve the overall business plan and as a reference for staff promotion, employee training and development, and payment of salaries. Ensure all	None

Assessment Items	Operation			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
			employees are protected by the Collective Bargaining Agreement through labor meetings, department meetings, seminars, Suggestion Box, and other communication channels. (2) Supplier Relations: In terms of supplier management, in addition to having the environmental protection principle included in the supplier management mechanism, Advantech has the Electronic Industry Code of Conduct (EICC) introduced since the year of 2010; also, has the Green Supply Chain management system established. The Company has supplier management implemented through the Company's e-based supplier management platform and has the major supplier's Code of Conduct reviewed/audited. The Company has supplier convention held annually to communicate with suppliers face-to-face. (3) Investor Relations: Information is fully disclosed through the MOPS and the Company's Website to help investors understand the Company's operating conditions and to communicate with investors through the shareholders' meeting and the spokesman. (4) Continuing education of directors and supervisors: The Company actively encourages directors to participate in continuing education as scheduled below. (5) Customer Policy: The Company keeps in contact with customers regularly and communicates the needs of the customers through online/telephone, customer service, and Account Manager System; also, a Suggestion Box is setup to respond to customer complaint promptly. (6) The acquisition of liability insurance for directors and supervisors: The Company has acquired liability insurance for directors	

Assessment Items	Operation			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
			and supervisors in April 2015 as follows:	
8、Does the Company have a corporate governance self-assessment report prepared or a corporate governance assessment report issued by the commissioned professional institutions? (If yes, please state the opinion of the board of directors, the self-assessment or outsourcing evaluation results, the main nonconformity or suggestion, and implementation of improvement) (Note 2)	V		The Company did not commission any professional institution to issue an evaluation report, instead, annual corporate governance and compliance self-assessment report is issued by the Company for improvement.	None

■ Continuing education of the Company's directors and supervisors

Title	Name	Continuing education date		Organizer	Course	Credit hours
		(起) (Beginning)	(迄) (Ending)			
Director	K.C. Liu	01/29/2015	01/29/2015	Securities & Futures Institute	The latest tax law revision direction	3
Director	Jeff Chen (Newly elected)	11/20/2014	11/20/2014	Financial Supervisory Commission	The 10th Taipei Corporate Governance Forum	6
Director	Jeff Chen (Newly elected)	08/20/2014	08/20/2014	Securities & Futures Institute	Corporate governance and independent directors operation	3
Director	Joseph Yu	09/09/2014	09/09/2014	Securities & Futures Institute	The "Ethical Management and Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" seminar	3
Director	Donald Chang (Newly elected)	03/24/2015	03/24/2015	Securities & Futures Institute	How to exercise the profit-seeking function of the functional committee under the Board of Directors?	3
Director	Donald Chang ((Newly lected)	02/10/2015	104/02/10	Securities & Futures Institute	The shareholding of directors and supervisors, and the measure and response to the dividend tax credit reduced by half	3
Director	Donald Chang ((Newly lected)	104/02/05	02/05/2015	Securities & Futures Institute	Risk management mechanism needed by enterprise for business operation	3
Director	Donald Chang ((Newly lected)	08/20/2014	08/20/2014	Securities & Futures Institute	Corporate governance and operation of the independent directors	3
Supervisor	Thomas Chen	02/05/2015	02/05/2015	Securities & Futures Institute	Risk management mechanism needed by enterprise for business operation	3
Supervisor	Thomas Chen	08/20/2014	08/20/2014	Securities & Futures Institute	Corporate governance and operation of the independent directors	3
Supervisor	James Wu	11/20/2014	11/20/2014	Financial Supervisory Commission	The 10th Taipei Corporate Governance Forum	6

■ The acquisition of liability insurance for directors and supervisors:

Insured object	Insurance company	Amount of insurance coverage (NT$)	Insurance period
All directors and supervisors	Cathay Century Insurance Co., Ltd.	155,800,000	04/01/2015 - 04/01/2016

(4) The composition of the Remuneration Committee, responsibilities, and operation":

1. Remuneration Committee members:

Identity (Note 1)	Terms / Name	Over five years of experience and the following professional qualifications			一、 Independence criteria (Note 2)								二、 Serving as a Remuneration Committee member of another public company	Remarks (Note 3)
		University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8		
Independent director	Joseph Yu	v		v	v	v	v	v	v	v	v	v	2	NA
Independent director	Jeff Chen			v	v	v	v	v	v	v	v	v	0	NA
Others	Caroline Wang	v		v	v	v	v	v	v	v	v	v	0	NA

Note 1: Please indicate the identity as directors, independent directors, or others.

Note 2: A "✓" is marked in the space beneath the respective column when a director or supervisor has met that condition during the two-year prior to election and during his or her period of service; the conditions are as follows:

(1) Not employed by the Company or an affiliated business.

(2) Not a director or supervisor of the Company or its affiliated company. This restriction does not apply to independent directors of subsidiaries in which the company or its parent company directly or indirectly holds over 50% of the shareholder voting rights.

(3) company shares or being a top-10 natural person shareholder in one's own name, held by a spouse or underage child, or held by nominee agreement.

(4) Neither a spouse, second-degree relative, nor a fifth degree direct relative of the persons listed under the previous three items.

(5) Neither a director, supervisor or employee of an institutional shareholder directly owning more than 5% of the company's outstanding shares, nor one of the company's top-five institutional shareholder.

(6) Neither a director, supervisor, manager or shareholder holding more than a 5% stake in certain companies or institutions that have a financial or business relationship with the Company.

(7) Not a professional who provides commercial, legal, financial, and accounting services or consulting to the Company or its affiliated companies, proprietor, partner, owner of a company or an institution, partner, director (executive), supervisor (executive), manager, and their spouses.

(8) Standing does not match any of the scenarios described in Article 30 of the Company Law.

Note 3: Please indicate whether the member who is a director complies with the requirement of Article 6 Paragraph 5 of the "Regulations Governing the

Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter."

2. The operation of Remuneration Committee

(1)There are three members in Remuneration Committee of the Company.

(2)Current term of office: June 18, 2014 ~ June 17, 2017; the most recent year (2014)

The Board held 2 meetings (A) with the attendance record and qualification of Committee members as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Joseph Yu	2	0	100%	Reelected
Independent director	Jeff Chenn	1	0	100%	Newly elected
Committee Member	Caroline Wang	2	0	100%	Reelected
Independent director	Allan Fan	1	0	100%	Former

Other required information:

1. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee: None
2. For resolutions reached by the Remuneration Committee regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, the Remuneration Committee meeting date, period, content of the resolution, opinions of all members, and the handling of the opinions of the members: None.

(5) Fulfilling social responsibilities:

Assessment items	Operation (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary (Note 2)	
1、Substantiation of corporate governance （1）Does the Company have the CSR policies or systems established and the implementation effect reviewed? （2）Does the Company have the CSR education and training arranged on a regular basis? （3）Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors? （4）Does the Company have a reasonable salary and remuneration policy setup, have the employee performance evaluation system combined with corporate social responsibility policies, and have a clear and effective reward and punishment system established?	V V V V		（1） The Company has the “Corporate Social Responsibility Best-Practice Principles” established and the implementation effect reviewed? （2） The Company has the CSR education and training arranged in the orientation that is held once in every two-month. （3） The Company has the “Corporate Culture and Social Responsibility” Department setup and it is dedicated to promote corporate social responsibility; also, the management is authorized by the board of directors to handle the relevant matter and report the progress to the Chairman and the board of director regularly. （4）The Company has a reasonable remuneration policy setup; also, required employees to comply with Advantech Code of Conduct and Practiced the “Integrity and Probity” of corporate value. The employees are evaluated with the Compassion Award issued for their participating in the charity activities, or the offenders of the Code of Conduct will be disciplined accordingly.	None
2、Development of sustainable environment （1）Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environment? （2）Does the Company have an appropriate environmental management system established in accordance with its industrial character? （3）Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?	V V V		（1）The Company is committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environment （2）The Company has established ESH Management Committee and ISO14001 environmental management system, which includes the following items: 1.Collect, assess, and identify the impact of the Company’s activities, products, and services on the natural environment. 2.Establish measurable goals of environmental sustainability and regularly review the continuity and relevance of its development. 3.Set specific action plans and regularly review the	None

Assessment items	Operation (Note 1)			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary (Note 2)	
			effectiveness of the operation. (3)The Company adopts the guidelines of ISO14064 commonly used domestically and internationally and CDP Carbon Disclosure Plan to implement greenhouse gas inspection and disclosure within the scope of: 1.Direct greenhouse gas emissions 2.Indirect greenhouse gas emissions The Company does pay attention to the impact of climate change on the operational activities, form and activate an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy according to the business operation and greenhouse gas check results in order to reduce the impact of the Company's business activity on the climate change. Advantech set and activated the environmental management plan in 2014 to reduce power consumption per person by 3% and product waste per unit by 3%.	
3、Maintenance of social welfare （1）Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights? （2）Does the Company have the complaint mechanism and channel established for employees and have it handled properly? （3）Does the Company provide employee with a safe and healthy working environment, and provide safety and health education to employees regularly? （4）Does the Company have established a mechanism of periodical communication with employees and have the employee notified in a reasonable manner regarding the potential impact of the operation changes. （5）Does the Company have an effective career capacity development training program established for the employees?	V V V V V		（1）The Company obeys the relevant laws and regulations and complies with international human rights conventions, such as, gender equality, the right to work, the prohibition of discrimination, etc. The relevant management policies and procedures are stipulated to fulfill the responsibility of protecting human rights, including: 1.To develop a code of conduct 2.To assess the impact of the Company's operating activities and internal management on human rights, and set the respective procedures. 3.To regularly review and update the Code of Conduct. 4.To disclose the procedures for the stakeholders involved when it involves violating human rights. （2）The Company is to collect employee complaints through the Suggestion Box and have those complaints handled properly. There were 12 employee complaints filed in 2014. （3）The Company offers employees safe and healthy working	None

Assessment items	Operation (Note 1)			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary (Note 2)	
(6) Does the Company have the relevant consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations, and service processes? (7) Does the Company have products and services marketed and labeled in accordance with the relevant regulations and international norms? (8) Does the Company have the suppliers checked in advance for any records of impacting the environment and society? (9) Does the contract signed by the Company with the major suppliers entitle the Company to have the contract cancelled or terminated at any time when the suppliers violate the CSR policies that have a significant impact on the environment and society?	V V V V		environment and passes the occupational safety and health management system certification; provides employees with annual health checks that is better than the requirement of the Labor Standards Act; also, has the safety and health education arranged in the orientation that is held once in every two-month. (4) The Company has established a mechanism of periodical communication with employees through the two employee conventions held every year and has the employee notified through a notice on the internal website or e-mail regarding the potential impact of the operation changes. (5) The Company, through "Advantech School," has diversified curriculum planned, established effective career capacity development and training program for employees; also, reflected the Company's operating performance and results appropriately in the employee remuneration policies to ensure the recruitment, retention, and encouragement of human resources in order to reach the goal of sustainable business operation. (6) The Company has the consumer protection policies and complaint procedures established; also, has had the procedure document of quality feedback system, customer service and satisfaction management, ATSC RMA operating instructions available to ensure proper handling. (7) The Company has products and services marketed and labeled in accordance with the relevant regulations and international norms. The products are indeed 100% in compliance with the green product regulations of the international Environmental Protection Act throughout the Life Cycle Assessment (LCA) from the effective use of natural resources, the prohibition of hazardous substances, to proper waste management. Advantech based on safety, energy conservation, and environmental	

Assessment items	Operation (Note 1)			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary (Note 2)	
			protection to promote green products and to have the product information and international standards published on the Company's website (http://www.advantech.tw/ags/) for the understanding of the customers and consumers. （8）All the Company's suppliers / contractors are required to sign the corporate social responsibility (CSR) agreement before signing the contract. Try to avoid dealing with the suppliers who are in violation of the Company's corporate social responsibility policies. The CSR agreement requires the suppliers / contractors to comply with SA8000 social accountability standard, EICC electronics industry behavior guidelines, ISO 14001 environmental management standard, OHSAS 18001 occupational safety and health management standards, and the requirements of labor rights, health and safety, environmental protection, and business ethics imposed by the local authorities. （9）The CSR agreement signed by the Company with the suppliers includes the Company's entitlement to have the agreement cancelled or terminated at any time when the suppliers violate the CSR policies that have a significant impact on the environment and society. Signing the SCR agreement by all the suppliers / contractors is the precondition of dealing with the Company.	
4、Strengthening information disclosure （1）Does the Company have the relevant and reliable CSR information disclosed on the Company's website and MOPS?	V		The Company has the CSR website setup and has the relevant and reliable CSR information disclosed on the Company's website and MOPS. The Company has corporate social responsibility information disclosed as follows: 1、The CSR policies, systems, or specific promotion plan resolved in the Board meeting. 2、The risk and impact of substantiating corporate governance, development of sustainable environment, and maintenance of social welfare on the Company's	None

Assessment items	Operation (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary (Note 2)	
			operations and financial condition 3、The goal, measures, and performance of the CSR drafted up by the Company 4、The main stakeholders and the issues of concern 5、The management and performance of environmental and social issues disclosed by the major suppliers 6、Other CSR-related information	

5、If the Company has the “Corporate Social Responsibility Best-Practice Principles” stipulated in accordance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies,” please state its deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” in operation:

The Company has the policies of corporate social responsibility commitment, employee code of conduct, environment safety and health, and the prohibition of hazardous substances in products stipulated and substantiated in compliance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.”

6、Other important information helpful in understanding the corporate social responsibility operation:

Advantech always believes that corporate citizen in the society must fulfill its civic responsibility. We have brought this belief into our daily business operation mechanism. In practice, Advantech fulfills its civic responsibilities through the following four aspects of corporate commitment, social care, cooperation of academy and industry, and staff care:

- Corporate commitment: We have the corporate governance perfected and been responsible to the stakeholders through the organizational operation and audit system of the Board of Directors, Audit Committee, Remuneration Committee, and Risk Management Committee; also, dedicated to the continuing innovation of design, production quality, and reliability through the quality management and commitment that is part of the corporate culture, been responsible to the customers and the environment, and received a number of international certifications and affirmations.
- Social Care: We have realized our social care through the four aspects of caring for environment, loving charity, sponsoring arts, and volunteering. In terms of “caring for environment,” Advantech is committed to providing green design, green production, green energy products, and a sustainable supply chains for the industry. Encourage employees to maintain ecological sustainability and spontaneously to adopt organic farms and tea plantations, in other words, create a sustainable green industry and embrace an ecological green world at the same time. The Company had invested NT$80 million for environmental protection in 2014. In terms of “charity,” Advantech encourages employee social groups to expand their community services; also, Advantech Foundation invites charity groups to present social welfare programs with a sponsorship offered to the selected proposals. In terms of “arts sponsorship,” Advantech has sponsored art groups for years, including Taipei Municipal Orchestra, Advantech Beautiful Life, Beauty of Orchestra, Guoguang Opera Company, and Advantech ACT Volunteer Group. In recent years, Advantech indirectly and directly sponsored artists and arts groups for a grand total over NT$6 million in 2014. In addition, Advantech also encourages colleagues to put action in mercy through “volunteer work” and to get involved in more volunteer service activities and to pay forward.
- Industrial Cooperation: Advantech believes that only the integration of innovation and learning characteristics of “industry-academy cooperation” is the driving force to activate social progress in the future. Therefore, we have to base on the core of “innovative learning,” the method of “industry-academy cooperation,” and the purpose of “talents gathering” to actively promote industry-academy cooperation activities, such as, TiC100 College student innovative business models competition, TiC-EACC industry-academy cooperation plan, and TiC-Early Design Campaign industrial product forward-looking design competitions. Advantech has committed to invest NT$20 million per year for 5 years since the year of 2014 to set up Jiaotong University Internet of Things (IoT) Research Center.
- Employee care: We starting out from “Work, Learn, and Love” are determined to made Advantech an open development platform; also, to make Advantech a trustworthy enterprise that the colleagues can trust their happy life with the Company. In terms of “work,” we provide cross-field, cross-border, and diversified job opportunities, encourage employees to expand their international perspective and work experience through job rotation, or compete to secure a cross-field job voluntarily in order to

Assessment items	Operation (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary (Note 2)	
improve self-competitiveness at work place. In terms of “learning,” Advantech provides staff with a variety of continuing education opportunities to enhance capability; also, plans online e-learning system and employee website to provide Advantech basic talent cultivation information and the concept of business direction. Moreover, a series of courses are planned for the elite talent to study the business operation of Advantech, to form practical hands-on experience, and to pass on the unique business philosophy of Advantech. In terms of “love,” we are in the pursuit of a happy life. Advantech ABLE Club (Advantech Beautiful Life) has sports, love, Lohas, arts and cultural activities planned. Employees in their spare time are expected to innovate and learn, to experience life, to contribute to society, to practice altruistic ideas, and to create a happy life. The activities arranged by Advantech ABLE Club in 2014 were with the participation of over 10,000 persons.				
7、Please detail the Corporate Social Responsibility Report that has met the verification standard of the relevant certification institutions, if any: Advantech 2013 Corporate Social Responsibility Report was prepared by the Company in accordance with GRI G3.1 Standards without having been verified by a third party. The 2014 Corporate Social Responsibility Report would be verified by the commissioned certification institution.				

（6）he Company’s ethical management and the measures adopted

Assessment Items	Operation (Note 1)			Deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary	
1、Formation of ethical management policies and methods （1）Does the Company have the ethical management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies? （2）Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, guidelines for conduct, disciplinary actions, and complaints system declared explicitly; also have it implemented substantively? （3）Does the Company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the “Ethical Management Best Practice Principles for TWSE/GTSM Listed Companies” or other business activities subject to higher risk of fraud?	V V V		(1) The Company has the “Ethical Management Best Practice Principle” stipulated and published on the corporate websites, corporate social responsibility website, and MOPS. Auditors regularly audit the compliance of the system and with an audit report presented to the board of directors on a quarterly basis. (2) The Company sets the “Ethical Management Best Practice Principle” and “Advantech’s Code of Conduct” to clearly specify the relevant operating procedures and to have the comprehensive system implemented in accordance with the “Regulations Governing the Reporting.” (3) The Company has established an effective internal control system to ensure the substantiation of the ethical management. The internal auditors periodically audit the compliance of the establishment. The Company and its directors, supervisors, managers, employees, appointed persons, and the person in control at the time of conducting business shall not directly or indirectly offer, promise, request, or accept improper benefits in any form, including rebates, commissions, and bribe or providing or accepting improper benefits to and from customers, agents, contractors, suppliers, public officials, or other stakeholders.	None
2、Substantiation of ethical management （1）Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed? （2）Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code of integrity and to report on its implementation to the Board on a regular basis?	V V		(1) The Company has the “Ethical Management Best-Practice Principles” stipulated to clearly require the counterparties to comply with the rule of not accepting kickbacks, commissions, and bribe in order to offer the most reasonable, the best quality, and the best service. (2) The Company’s Internal Auditing is an independent unit	None

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4) Does the Company have established effective accounting systems and internal control systems to substantiate ethical management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs? (5) Does the Company have organized ethical management internal and external education and training programs on a regular basis?	V V V		under the Board of Directors to oversee the implementation, to audit the compliance of the system, and to present an audit report to the board of directors on a quarterly basis. (3) The Company's "Guidelines for the Adoption of Codes of Conduct" for employees and the "Guidelines for the Adoption of Codes of Ethical Conduct" for the directors, supervisors, and managers include the clause of conflict of interest prevention; also, report any doubtful conflict of interest to the direct supervisor. (4) The Company has the accounting system established; also, the financial reports are audited by Deloitte & Touche. The Company has internal control system established. The Internal Auditing under the Board of Directors is to regularly audit the Company's operating cycle and the related law and regulations in order to assist the board of directors and management to reasonably ensure the achievement of operational effectiveness and efficiency, reliability of financial reports, and the compliance of the related law and regulations. (5) Internally: In addition to having the relevant specifications published on eLearning for the easy access of the employees at any time, the Company has explained it and emphasized its importance in the orientation and manual instruction. Externally: Arrange Supplier Conventions and establish a regular communication mechanism and advocates the relevant norms of ethical management.	
3、The operation of the Company's Report System (1) Does the Company have a specific report and reward system stipulated, a convenient report channel established, and a responsible staff designated to handle the individual being reported? (2) Does the Company have the standard investigating procedures and	V V		(1) The reporting can be submitted through the Company's e-mail or in writing. The Internal Auditing is to handle all reporting and then reports to the Chairman, so the Chairman may appoint investigators to conduct an independent investigation. (2) The Company has the "Regulations Governing the Reporting" and related operating procedures stipulated.	None

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
related confidentiality mechanism established for the incidents being reported? （3）Does the Company have taken proper measures to protect the whistleblowers from suffering any consequence of reporting an incident?	V		The identity of the whistleblower and the content of the reporting should be kept confidential; also, investigators shall have the relevant documents that are collected throughout the investigation process reserved properly. Each reporting incident is assigned with one code. The investigator will obtain a unique identification code for the protection of the whistleblower. (3) The Company has the "Regulations Governing the Reporting" and related operating procedures stipulated. The identity of the whistleblower and the content of the reporting should be kept confidential and protected; also, the involving investigators should not disclose any information without authorization so to protect the whistleblower from any unfair treatment, retaliation, or threat.	
4、Strengthening information disclosure （1）Does the Company have the content of ethical management and its implementation disclosed on the website and MOPS?	V		The Company has a website in Chinese and English and a CSR website established; also, the "Ethical Management Best-Practice Principles" is published on the MOPS.	None
5、If the Company has the "Ethical Management Best-Practice Principles" stipulated in accordance with the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies," please state its deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" in operation: None				
6、Other important information helpful in understanding the ethical management operation: (Such as, the Company has its Ethical Management Best-Practice Principles reviewed and amended, etc.) Request the suppliers and contractors (including security company) through the Procurement Department and General Affairs Department to sign the "Corporate Social Responsibility and Environmental Safety and Health Commitment" and implement the relevant education and training and advocacy through the Supplier Convention.				

（7）The Company has the corporate governance Best-Practice Principle and the related inquiries established: The Company website is with the corporate governance section designated for investor's inquiring and downloading corporate governance-related regulations; also, it is published on the MOPS.

（8）Other important information helpful in understanding the corporate governance operation: None

（9）The implementation of the internal control system:

Advantech Co., Ltd.
Statement of Internal Control System

Date: March 31, 2015

Based on the results of a self-assessment, Advantech Co., Ltd. (Advantech) states the following with regard to its internal control system during the year 2014:

1. Advantech is fully aware that establishing, implementing, and maintaining an adequate internal control system are the responsibilities of its Board of Directors and management. Advantech has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profit, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of Advantech contains self-monitoring mechanisms, and Advantech takes corrective actions as soon as a deficiency is identified.
3. Advantech evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control info five key elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Advantech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, Advantech believes that, as at December 31, 2014, its internal control system (including its supervision and management of subsidiaries), which encompasses internal controls for the knowledge of the degree of achieving operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operated and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of Advantech's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Advantech Board of Directors' Meeting on March 31, 2015, where all the five attending directors did not express any dissenting opinions and affirmed the content of this Statement.

Advantech Co.,Ltd.

K.C. Liu
Chairman

Chaney Ho

President

2. If a CPA is commissioned to review internal control system specifically, the review report should be disclosed: None

(10) The Company and its internal staff being punished lawfully, the punishment given by the Company to the violators of internal control system, major nonconformity, and the improvement in the most recent year and up to the publication of the annual report: None

(11) The material resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication of the annual report:

Date/Meeting	Material resolutions
01.14.2014 Board meeting	● Approved the proposal of the Company's 2009Q4 employee stock options implementation to subscribe common stock with new shares issued. ● Approved the proposal of the Company's 2010Q4 employee stock options implementation to subscribe common stock with new shares issued.
03.28.2014 Board meeting	● Approved the proposal of the Company's amendment registration for the capitalization by having the domestic 2nd convertible corporate bond converted to stock in Q1. ● Acknowledged the proposal of the Company's 2013 business report, proprietary financial statements, and consolidated financial statements. ● Acknowledged the proposal of the Company's 2013 Earnings Distribution. ● Approved the proposal of the Company's capitalization by earnings with new shares issued. ● Approved the proposal of the Company's convening the 2014 general shareholders' meeting. ● Approved the time and place to accept shareholder's proposals for the Company's 2014 general shareholders' meeting and the list of nominees for the election of two independent directors.
03.29.2014 Board meeting	● Approved the re-election of all board directors and supervisors. ● Approved the proposal of lifting the noncompete clause against the newly elected directors and their representatives. ● Approved the proposal of lifting the noncompete clause against the management. ● Approved the proposal of the Company's making of endorsement and guarantee for the material procurement of the subsidiary (ACA). ● Approved the proposal of the Company's 2013 "Statement of Internal Control System" completed. ● Approved the proposal of the Company's "Remuneration

	Committee" members appointed. ● Approved the proposal of the Company's applying for the 2014 bank credit line and authorizing the Chairman to apply to the bank for loan renewal on the expiry date within the credit line according to the needs of the business operation.
04.15.2014 Board meeting	● Approved the proposal of the Company's nominating candidates for the election of the Independent Directors. ● Approved the proposal of the Company's 2009Q1 employee stock options implementation to subscribe common stock with new shares issued. ● Approved the proposal of the Company's 2010Q1 employee stock options implementation to subscribe common stock with new shares issued. ● Approved the proposal of the Company's amendment registration for the capitalization by having the domestic 2^{nd} convertible corporate bond converted to stock in Q1. ● Approved the proposal of the Company's Linko Industrial Park Stage II construction project.
05.08.2014 Board meeting	● Approved the Company's 2014Q1 consolidated financial statements. ● Approved the Company's amending some of the clauses of the "Articles of Incorporation." ● Approved the proposal of the Company's intending to issue employees stock options at a price below the market price. ● Approved the review of the list of candidates nominated for the election of independent directors.
06.18.2014 Shareholders' meeting	● Acknowledged the Company's 2013 business report and financial statements. ● Acknowledged the proposal of the Company's 2013 Earnings Distribution. ● Approved the proposal of the Company's capitalization by earnings with new shares issued. ● Approved the discussion of amending the Company's "Articles of Incorporation." ● Approved the discussion of the Company's amending the "Procedures for the Acquisition and Disposal of Assets." ● Approved the discussion of the Company's amending the "Procedures for the Trading of Financial Derivatives." ● Approved the proposal of the Company's intending to issue employees stock options at a price below the market price. ● Approved the re-election of all board directors and supervisors.

	● Approved the proposal of lifting the noncompete clause against the newly elected directors and their representatives.
06.26.2014 Board meeting	● The proposal for the election of the Company's current Chairman ● Approved the 2013 earnings distribution proposal that was resolved in the general shareholders' meeting on June 18, 2014 with the distribution base date scheduled. ● Approved the proposal of the appointment of the 2nd "Remuneration Committee" members. ● Approved the proposal of the Company's merging ISL International Standards Laboratory.
07.14.2014 Board meeting	● Approved the proposal of the Company's 2009Q2 employee stock options implementation to subscribe common stock with new shares issued. ● Approved the proposal of the Company's 2010Q2 employee stock options implementation to subscribe common stock with new shares issued. ● Approved the proposal of the Company's amendment registration for the capitalization by having the domestic 2nd convertible corporate bond converted to stock in Q2.
08.11.2014 Board meeting	● Approved the Company's 2014Q2 consolidated financial statements. ● Approved the proposal of the ex-right date and base date for the Company's capitalization by earnings. ● Approved the proposal of the Company's "Regulations Governing the Issuance of the 2014 Employee Stock Option and Subscription Method." ● Approved the proposal of the issuing employees and quantity of the Company's stock options. ● Approved the proposal of the Company's plan of increasing investment in the subsidiary, Advantech Europe Holding B.V. (referred to as "AEUH"). ● Approved the equity investment structure adjustment of the subsidiary, Advantech Electronics, S.De R.L.De C. (referred to as "AMX") and Advantech Brazil Ltda. (ABR). ● Approved the plan of buying the ground floor and basement parking spaces of the office building at No. 31, 33, and 35, Lane 365, Yang-Kong Street of Advantech Investment Co., Ltd., the affiliated company. ● Approved the adjustment of the 2009 employee stock option price. ● Approved the adjustment of the 2010 employee stock option price.
10.15.2014	● Approved the proposal of the Company's 2009Q3 employee stock

Board meeting	options implementation to subscribe common stock with new shares issued. ● Approved the proposal of the Company's 2010Q3 employee stock options implementation to subscribe common stock with new shares issued.
11.07.2014 Board meeting	● Approved the proposal of the Company's 2014Q3 consolidated financial statements. ● Approved the proposal of replacing the Company's CPAs. ● Approved the proposal of the Company's 2015 internal auditing plan.
12.10.2014 Board meeting	● Approved the proposal of the Company's applying for bank credit line.

（12）The contents of the board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report: None

（13）The resignation or dismissal of the Company's Chairman, President, Accounting Officer, Finance Office, Internal Audit Director, and R&D Director in the most recent year or up to the publication of the annual report: None

IV、Independent Auditor fees:

CPA Firm	Name of CPAs		Audit Period	Remark
Deloitte & Touche	Jr Shian Ke	Chin Hsiang Chen	01.01.2014 - 08.31.2014	Internal job rotation
	Meng Chieh Chiu	Chin Hsiang Chen	09.01.2014 - 12.31.2014	

Monetary unit: NT$ Thousand

	Fees / Amount range	審計公費 Audit fees	非審計公費 Non-audit fees	合 計 Total
1	Less than $2,000 thousand		885	885
2	$2,000 thousand (inclusive)～$4,000 thousand			
3	$4,000 thousand (inclusive)～$6,000 thousand	5,000		5,000
4	$6,000 thousand (inclusive)～$8,000 thousand			
5	$8,000 thousand (inclusive)～$10,000 thousand			
6	More than $10,000 thousand (inclusive)			

(1) If the non-audit fees paid to the CPAs, CPA Firm, and its affiliated companies is over 25% of the audit fee, the amount of audit fee and non-audit fee and the contents of the non-audit service should be disclosed:

Monetary unit: NT$ Thousand

CPA Firm	Name of CPAs	Audit Fees	Non-audit Fees					Audit Period	Remark
			System design	Industrial and commercial registration	Human resources	Others	Subtotal		
Deloitte & Touche	Meng Chieh Chiu Chin Hsiang Chen	5,000		390		495	885	01.01.2014 - 12.31.2014	Other: Transfer pricing service fees

(2)If a new CPA Firm is commissioned to serve for an audit fee less than the year before, please disclose the audit fee amount before and after the CPA replacement arranged and the reason for doing so: None

(3) If the audit fee of current year is more than 15% less than the year before, please disclose the audit fee amount and ratio reduced and the root cause of the fee reduction: None

V、Change in status of independent auditors:

(1)、Former CPAs

<table>
<tr><td>Replacement date</td><td colspan="4">September 1, 2014</td></tr>
<tr><td>Replacement reason and explanation</td><td colspan="4">In order to implement the internal job rotation mechanism of the Firm, the commissioned CPA Zhixian Ko and CPA Qingxiang Chen were replaced by CPA Mon-Jay Chiu and CPA Qingxiang Chen.</td></tr>
<tr><td rowspan="3">Explain the replacement as the result of a termination by the principal or CPA, or a declination</td><td colspan="2">Litigant / Status</td><td>CPA</td><td>Principal</td></tr>
<tr><td colspan="2">Voluntary termination</td><td colspan="2" rowspan="2">NA</td></tr>
<tr><td colspan="2">Declination</td></tr>
<tr><td>An opinion other than unqualified opinion was issued within the last two years, and the root cause</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">Any disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope of steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>No</td><td colspan="3">NA</td></tr>
<tr><td colspan="4">xplanation</td></tr>
<tr><td>Supplementary disclosure (to be disclosed in accordance with Article 10 Paragraph 5 Section 1 and Point 4 of the Standards)</td><td colspan="4">None</td></tr>
</table>

VI、The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year: None

VII、Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report:

(1) Changes in equity:

Title	Name	2014		As of March 31	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
Director	K.C. Liu	2,106,587	0	0	0
Director	Advantech Foundation	1,650.079	0	0	0
Legal Representative	Donald Chang	0	0	0	0
Director	Ted Hsu	0	0	0	0
Director	Jeff Chen	0	0	0	0
Director	Joseph Yu	22	0	0	0
Supervisor	Advantech Investment Co., Ltd.	6,750,153	0	0	0
Legal Representative	Gary Tseng	15,585	0	0	0
Supervisor	Thomas Chen	32,447	0	(13,000)	0
Supervisor	James Wu	0	0	0	0
President	Chaney Ho	284,534	0	0	0
Vice President	Deyu Yin	(489,481)	0	0	0
Vice President	Albert Huang	415,270	0	0	0
Vice President	Eric Chen	121,859	0	(171,000)	0
Accounting Officer	Rorie Kang	(2,000)-	0	0	0
Major shareholder	Asus Computer Co., Ltd.	8,273,856	0	0	0
Major shareholder	K and M Investment Co., Ltd.	9,294,544	0	0	0

(2) The counterparty of the equity transfer is a related party: None

(3) The counterparty of the equity pledge is a related party: None

VIII、The Top-10 shareholders who are the spouses or relatives within second-degree to each other:

Unit: Shares; %

Name	Shareholding of the Principal		Shareholdings by spouse and underage children		Shareholding by nominee arrangement		The tile or name and relationshi of the Top-10 shareholders wh are the spouse or relatives withi two degrees to each other a defined in SFAS No. 6 (Note 3)		Remark
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Title	Relations	
Asus Computer Co., Ltd.	91,483,812	14.49%	0	0	0	0	None	None	None
K and M Investment Co., Ltd.	75,337,181	11.93%	0	0	0	0	K.C. Liu	Director	None
Advantech Investment Co., Ltd.	74,636,266	11.82%	0	0	0	0	K.C. Liu	Director	None
K.C. Liu	23,292,484	3.69%	1,197,672	0.19%	0	0	K and M Investment Co., Ltd.	Director	
							Advantech Investment Co., Ltd.	Director	
							Advantech Foundation	Director	
HSBC commissioned to manage Yuan-Wang Partner Fund Limited Partnership account	22,146,216	3.51%	0	0	0	0	None	None	None
Advantech Foundation	18,244,889	2.89%	0	0	0	0	K.C. Liu	Director	None
Tran-Fei Development Co., Ltd.	17,618,118	2.79%	0	0	0	0	None	None	None
Yong-Shun Zhuang	14,429,335	2.28%	0	0	0	0	None	None	None
Citigroup (Taiwan) commissioned to manage Singapore Government Investment account	10,961,303	1.74%	0	0	0	0	None	None	None
HSBC commissioned to manage First State Asia Securities Earnings fund Investment	9,086,784	1.44%	0	0	0	0	None	None	None

1: Illustrate the name of the Top-10 shareholders; also, illustrate separately the name of the institutional shareholder and its representative.

2: The shareholding ratio is calculated by referring to the shares held by the Principal, the Principal's spouses and underage children, or by nominee agreement.

3: Disclose the relationship among shareholders referred to above, including the juristic person and natural person.

IX、The shares of the invested company held by the Company, the Company's directors, supervisors, managers, and companies controlled directly or indirectly, and the aggregated overall shareholding :

% Unit: Shares; %

Item	Investment Business	Abbreviation	The Company's investment		Investment of directors, supervisors, managers, and directly or indirectly controlled business		Omnibus investment	
			Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
01	Advansus Corp.	Advansus	36,000,000	100	--	--	36,000,000	100
02	Advantech Corporate Investment .	--	100,000,000	100	--	--	100,000,000	100
03	Hangzhou Advantofine Automation Tech Co.,Ltd..	--	--	--	--	60	--	60
04	Advantech Co. Singapore Pte, Ltd.	ASG	1,450,000	100	--	--	1,450,000	100
05	Advantech Japan Co., Ltd.	AJP	1,200	100	--	--	1,200	100
06	Advantech Australia Pty Ltd.	AAU	500,204	100	--	--	500,204	100
07	Advantech Co.,Malaysia Sdn. Bhd	AMY	2,000,000	100	--	--	2,000,000	100
08	Advantech Europe Holding B.V.	AEUH	12,572,024	100	--	--	12,572,024	100
09	Advantech Technology Co., Ltd.	ATC	38,750,000	100	--	--	38,750,000	100
10	Advantech Automation Corp.	AAC(BVI)	29,623,834	100	--	--	29,623,834	100
11	Advantech Europe B.V.	AEU	--	--	11,314,280	100	11,314,280	100
12	Advantech Poland Sp z.o.o	APL	--	--	6,350	100	6,350	100
13	Advantech Technology (China) Company., Ltd.	AKMC	--	--	--	100	--	100
14	Advantech Corporation	ANA	--	--	10,952,606	100	10,952,606	100
15	Beijing Yan Hua Xing Ye Electronics Science&Technology Co.,Ltd.	ACN	--	--	--	100	--	100
16	Advantech Technology (HK) Co., Limited	ATC(HK)	--	--	41,650,001	100	41,650,001	100
17	Advantech Automation Corp.(HK) Limited	AAC(HK)	--	--	15,230,001	100	15,230,001	100
18	Shanghai Advantech Intelligent Services Co., Ltd.	AiSC	--	--	--	100	--	100
19	Xi'An Advantech Software Co., Ltd.	AXA	--	--	--	100	--	100
20	Advantech Brazil S/A	ABR	1,794,996	80	--	--	1,794,996	80
21	Advantech Intelligent Service.	AiST	--	--	10,000,000	100	10,000,000	100
22	Advantech KR Co., Ltd.	AKR	600,000	100	--	--	600,000	100
23	DLoG GmbH.	A-DLoG	--	--	1	100	1	100
24	Cermate Technology Inc.	Cermate	--	--	5,500,000	55	5,500,000	55
25	Advantech Corporation (Thailand) Co., Ltd.	ATH	--	--	51,000	51	51,000	51

Item	Investment Business	Abbreviation	The Company's investment		Investment of directors, supervisors, managers, and directly or indirectly controlled business		Omnibus investment	
			Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
26	LandMark Co., Ltd.	LandMark	--	--	972,284	100	972,284	100
27	Cermate Technologies (Shanghai) Inc.	Cermate Shanghai	--	--	--	100	--	100
28	Shenzhen Cermate Technologies Inc.	Cermate Shenzhen	--	--	--	90	--	90
29	ACA Digital Corporation.	ACA	8,000,000	100	--	--	8,000,000	100
30	PT. Advantech International	AID	--	--	300,000	100	300,000	100
31	Advantech Industrial Computing India Pvt. Ltd.	AIN	999,999	99.99	--	--	999,999	99.99
32	Advantech Electronics, S.De R.L.De C.	AMX	--	100	--	--	--	100
33	AdvanPOS Technology Co., Ltd.	AdvanPOS	13,905,182	69.47	--	--	13,905,182	69.47
34	Bright Mind Limited.	--	--	--	200	100	200	100
35	AdvanPOS Technology Shanghai Co.,Ltd.	--	--	--	--	100	--	100
36	Advantech-LNC Technology Co.,Ltd.	ALNC	26,980,000	89.93	--	--	26,980,000	89.93
37	Better Auto Holdings Limited	--	--	--	8,556,096	100	8,556,096	100
38	Famous Now Limited	--	--	--	1	100	1	100
39	Dongguan Pou Yuen Digital Technology Co.,Ltd.	--	--	--	--	100	--	100

IV.Financing Status

一、Capital and shares

(一) Sources of capital

Unit: Thousand shares; NT$ Thousand

Month / year	Issuing price	Authorized capital		Paid-in capital		Remark			
		Shares	Amount	Shares	Amount	Source of capital		Pay for stock shares with property other than cash	Others
07.1997	10	100,000	1,000,000	47,500	475,000	Capitalization by cash	171,000	None	Note 1
						Capitalization by earnings	114,000		
06.1998	10	100,000	1,000,000	80,750	807,500	Capitalization by cash	95,000	None	Note 2
						Capitalization by earnings	237,500		
06.1999	10	200,000	2,000,000	130,700	1,307,000	Capitalization by earnings	499,500	None	Note 3
05.2000	10	298,000	2,980,000	174,500	1,745,000	Capitalization by earnings	438,000	None	Note 4
08.2001	10	298,000	2,980,000	233,200	2,332,000	Capitalization by earnings	587,000	None	Note 5
12.2001	10	298,000	2,980,000	233,429	2,334,294	Conversion of convertible bond	2,294	None	
02.2002	10	298,000	2,980,000	233,486	2,334,865	Conversion of convertible bond	571	None	
06.2002	10	500,000	5,000,000	285,513	2,855,130	Capitalization by earnings	520,135	None	Note 6
						Conversion of convertible bond	130		
12.2002	10	500,000	5,000,000	285,529	2,855,292	Conversion of convertible bond	162	None	
02.2003	10	500,000	5,000,000	286,242	2,862,423	Conversion of convertible bond	7,131	None	
04.2003	10	500,000	5,000,000	292,846	2,928,462	Capitalization	66,039	Note 9	Note 7
06.2003	10	500,000	5,000,000	341,304	3,413,039	Capitalization by earnings	484,577	None	Note 8
03.2004	10	500,000	5,000,000	337,728	3,377,279	Cancellation of Treasury Stock	(38,620)	None	
						Conversion of convertible bond	2,860		
06.2004	10	500,000	5,000,000	362,862	3,628,617	Capitalization by earnings	223,864	None	Note 10
						Conversion of convertible bond	27,474		
09.2004	10	500,000	5,000,000	369,230	3,692,299	Conversion of convertible bond	63,682	None	
12.2004	10	500,000	5,000,000	374,296	3,742,812	Conversion of convertible bond	50,513	None	
03.2005	10	500,000	5,000,000	374,767	3,747,672	Conversion of convertible bond	4,860	None	
06.2005	10	500,000	5,000,000	401,683	4,016,833	Capitalization by earnings	237,384	None	Note 11
						Conversion of convertible bond	31,777		
09.2005	10	500,000	5,000,000	403,889	4,038,893	Conversion of convertible bond	22,060	None	
12.2005	10	500,000	5,000,000	448,783	4,487,826	Exchange of shares	448,933	None	Note 12

Month / Year	Issuing price	Authorized capital		Paid-in capital		Remark			
		Shares	Amount	Shares	Amount	Source of capital		Pay for stock shares with property other than cash	Others
01.2006	10	500,000	5,000,000	448,900	4,489,003	Conversion of convertible bond	477	None	
						Conversion of stock option	700		
04.2006	10	500,000	5,000,000	448,960	4,489,603	Conversion of stock option	600	None	
07.2006	10	500,000	5,000,000	463,180	4,631,795	Capitalization by earnings	139,792	None	Note 13
						Conversion of convertible bond	2,100		
						Conversion of stock option	300		
09.2006	10	500,000	5,000,000	463,365	4,633,645	Conversion of stock option	1,850	None	
12.2006	10	500,000	5,000,000	463,630	4,636,295	Conversion of stock option	2,650	None	
03.2007	10	500,000	5,000,000	463,665	4,636,645	Conversion of stock option	350	None	
07.2007	10	600,000	6,000,000	490,847	4,908,470	Capitalization by earnings	271,825	None	Note 14
09.2007	10	600,000	6,000,000	491,227	4,912,270	Conversion of stock option	3,800	None	
12.2007	10	600,000	6,000,000	491,577	4,915,770	Conversion of stock option	3,500	None	
04.2008	10	600,000	6,000,000	491,877	4,918,770	Conversion of stock option	3,000	None	
07.2008	10	600,000	6,000,000	481,877	4,818,770	Cancellation of Treasury Stock	(100,000)	None	Note 15
07.2008	10	600,000	6,000,000	481,962	4,819,620	Conversion of stock option	850	None	
08.2008	10	600,000	6,000,000	511,330	5,113,308	Capitalization by earnings	293,688	None	Note 16
10.2008	10	600,000	6,000,000	511,346	5,113,458	Conversion of stock option	150	None	
04.2009	10	600,000	6,000,000	511,366	5,113,658	Conversion of stock option	200	None	
07.2009	10	600,000	6,000,000	511,386	5,113,858	Conversion of stock option	200	None	
08.2009	10	600,000	6,000,000	516,009	5,160,087	Capitalization by earnings	46,229	None	Note 17
10.2009	10	600,000	6,000,000	516,134	5,161,337	Conversion of stock option	1,250	None	
11.2010	10	600,000	6,000,000	501,634	5,016,337	Cancellation of Treasury Stock	(145,000)	None	Note 18
08.2011	10	600,000	6,000,000	551,797	5,517,971	Capitalization by paid-in capital	501,634	None	Note 19
01.2012	10	600,000	6,000,000	552,996	5,529,961	Conversion of stock option	11,990	None	Note 20
04.2012	10	600,000	6,000,000	553,832	5,538,321	Conversion of stock option	8,360	None	Note 21
10.2012	10	600,000	6,000,000	560,893	5,608,937	Conversion of stock option	70,616	None	Note 22
01.2013	10	600,000	6,000,000	563,997	5,639,970	Conversion of stock option	31,033	None	Note 23
05.2013	10	600,000	6,000,000	565,205	5,652,050	Conversion of stock option	12,080	None	Note 24
08.2013	10	600,000	6,000,000	565,627	5,656,270	Conversion of stock option	4,220	None	Note 25
10.2013	10	600,000	6,000,000	566,924	5,669,248	Conversion of stock option	12,978	None	Note 26
02.2014	10	600,000	6,000,000	569,400	5,694,000	Conversion of stock option	24,752	None	Not e27
05.2014	10	600,000	6,000,000	571,451	5,714,511	Conversion of stock option	20,511	None	Note 28
07.2014	10	600,000	6,000,000	571,762	5,717,621	Conversion of stock option	3,110	None	Note 29
09.2014	10	800,000	8,000,000	628,702	6,287,021	Capitalization by earnings	569,400	None	Note 30
11.2014	10	800,000	8,000,000	630,103	6,301,031	Conversion of stock option	14,010	None	Note 31
02.2015	10	800,000	8,000,000	631,209	6,312,091	Conversion of stock option	11,060	None	Note 32
04.2015	10	800,000	8,000,000	631,518	6,315,186	Conversion of stock option	3,095	None	Note 33

Note 1: (86) Tai.Chai.Chen (I) No. 42710 Letter dated May 28, 1997
Note 2: (87) Tai.Chai.Chen (I) No. 47165 Letter dated May 29, 1998
Note 3: (88) Tai.Chai.Chen (I) No. 44698 Letter dated May 17, 1999
Note 4: (89) Tai.Chai.Chen (I)) No. 42068 Letter dated May 16, 2000
Note 5: (90) Tai.Chai.Chen (I) No. 131759 Letter dated May 22, 2001
Note 6: Tai.Chai.Chen.I.Tzi No. 0910131630 Letter dated June 11, 2002
Note 7: Tai.Chai.Chen.I.Tzi No. 0920111609 Letter dated April 16, 2003
Note 8: Tai.Chai.Chen.I.Tzi No. 0920128945 Letter dated June 30, 2003
Note 9: Issued new stock shares to exchange for the common stock shares of AXIOMTEK.
Note 10: Tai.Chai.Chen.I.Tzi No. 0930126256 Letter dated June 14, 2004
Note 11: FSC.S.I.Tzi No. 0940124309 Letter dated June 17, 2005
Note 12: FSC.S.I.Tzi No. 0940006036 Letter dated December 22, 2005
Note 13: FSC.S.I.Tzi No. 0950130113 Letter dated July 12, 2006
Note 14: FSC.S.I.Tzi No. 0960035881 Letter dated July 13, 2007
Note 15: MOEA.So.Sun.Tzi No. 09701161800 Letter dated July 4, 2008
Note 16: FSC.S.I.Tzi No. 0970034562 Letter dated July 10, 2008
Note 17: FSC.S.Far.Tzi No. 0980027007 Letter dated June 3, 2009
Note 18: MOEA.So.Sun.Tzi No. 09901265490 Letter dated November 26, 2010
Note 19: MOEA.So.Sun.Tzi No. 10001174140 Letter dated August 1, 2011
Note 20: MOEA.So.Sun.Tzi No. 10101008150 Letter dated January 13, 2012
Note 21: MOEA.So.Sun.Tzi No. 10101074290 Letter dated April 27, 2012
Note 22: MOEA.So.Sun.Tzi No. 10101215000 Letter dated October 17, 2012
Note 23: MOEA.So.Sun.Tzi No. 10201009210 Letter dated January 15, 2013
Note 24: MOEA.So.Sun.Tzi No. 10201077320 Letter dated May 1, 2013
Note 25: MOEA.So.Sun.Tzi No. 10201153720 Letter dated August 1, 2013
Note 26: MOEA.So.Sun.Tzi No. 10201219700 Letter dated October 29, 2013
Note 27: MOEA.So.Sun.Tzi No. 10301021080 Letter dated February 11, 2014
Note 28: MOEA.So.Sun.Tzi No. 10301077560 Letter dated May 1, 2014
Note 29: MOEA.So.Sun.Tzi No. 10301150080 Letter dated July 28, 2014
Note 30: MOEA.So.Sun.Tzi No. 10301198730 Letter dated September 23, 2014
Note 31: MOEA.So.Sun.Tzi No. 10301225080 Letter dated November 3, 2014
Note 32: MOEA.So.Sun.Tzi No. 10401013670 Letter dated February 4, 2015

Type of shares	Authorized capital stock			Remarks
	Shares in circulation (Note)	Unissued shares	Total	
Order common stock	631,518,600	168,481,400	800,000,000	Authorized capital stock, of which, 20,000 thousand shares are reserved for exercising stock options.

Note: It is the number of shares of the listed stock as of March 30, 2015.

Information of shelf registration: NA

(II) Shareholder structure:

March 30, 2015 (Ex-transfer date)

Structure of Shareholder / QTY	Government institutions	Financial institutions	Other juristic person	Natural person	Foreign institution & foreigners	Total
Number of persons	1	18	149	9,020	625	9,813
Shareholding	8	28,090,202	297,744,871	77,091,795	228,591,724	631,518,600
Shareholding ratio	0	4.45%	47.15%	12.20%	36.20%	100%

(III) Status of Ownership Dispersion:

NT$10 Par

March 30, 2014 (Ex-transfer date)

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio
1 ~ 999	4,958	876,303	0.14%
1,000 ~ 5,000	3,302	6,363,794	1.01%
5,001 ~ 10,000	504	3,586,941	0.57%
10,001 ~ 15,000	169	2,079,310	0.33%
15,001 ~ 20,000	115	2,016,156	0.32%
20,001 ~ 30,000	138	3,411,032	0.54%
30,001 ~ 40,000	77	2,701,010	0.43%
40,001 ~ 50,000	56	2,516,475	0.40%
50,001 ~ 100,000	163	11,436,012	1.81%
100,001 ~ 200,000	107	15,200,521	2.41%
200,001 ~ 400,000	74	20,887,135	3.31%
400,001 ~ 600,000	53	26,038,638	4.12%
600,001 ~ 800,000	20	13,897,372	2.20%
800,001 ~ 1,000,000	11	9,930,152	1.57%
Over 1,000,001 To be grouped discretionally	66	510,577,749	80.84%
Total	9,813	631,518,600	100%

Note: The Company does not have preferred stock shares issued.

(IV) List of major shareholders:

March 30, 2014 (Ex-transfer date) Unit: Shares

Name of major shareholders \ Shares	Shareholding	Shareholding ratio
ASUSTEK COMPUTER Inc	91,483,812	14.49%
K and M Investment Co., Ltd.	75,337,181	11.93%
AIDC Investment Co., Ltd.	74,636,266	11.82%
K.C. Liu	23,292,484	3.69%
HSBC commissioned to manage Yuan-Wang Partner Fund Limited Partnership account	22,146,216	3.51%
Advantech Foundation	18,244,889	2.89%
Tran-Fei Development Co., Ltd.	17,618,118	2.79%
Yong-Shun Zhuang	14,429,335	2.28%
Citibank (Taiwan) commissioned to manage Singapore Government investment account	10,961,303	1.74%
HSBC commissioned to manage First State Asia Securities Earnings Fund Investment	9,086,784	1.44%

(V) Market price, net worth, earnings, and dividends of per share within 2 years:

Unit: NT$

Item \ Year			2013	2014	As of March 31, 2015
Market price per share	Max.		210	283	275
	Min.		118	178	229
	Average		152	215	242
Net worth per share	Before distribution		33.82	35.41	
	After distribution		28.52	(Note 4)	-
Earnings per share	Weighted average shares		569,400,007	631,209,100	
	Earnings per share	Before adjustment	7.26	7.80	(Note 5)
		After adjustment	6.59	(Note 4)	-
Dividend per share	Cash dividend		5.3	6.0	-
	Stock dividend	Stock Dividend from Retained earnings	1.0	-	-
		Stock Dividend from additional paid-in capital	-	-	-
	Cumulative un-paid dividend		-	-	-
Return on investment analysis	Price-Earnings (P/E) Ratio (Note 1)		23.07	27.56	-
	Profit Ratio (Note 2)		28.68	35.83	-
	Cash Dividend Yield (Note 3)		3.49	2.79	-

Note 1: Price-Earning (PE) ratio = Annual average closing price per share / Earnings per share
Note 2: Price-Dividend ratio = Annual average closing price per share / Cash dividend per share
Note 3: Cash Dividend Yield = Cash dividend per share / Annual average closing price per share
Note 4: The proposal for the 2014 earnings distribution has not yet been resolved in the shareholders' meeting.
Note 5: The audited financial data as of 2015Q1 are presented.

(VI) Dividend Policy and Execution Status:

I.Dividend policy is defined in the Company's Articles of Incorporation as follows:

Article 20 Should there be retained earnings after the final settlement of the fiscal year, in addition to offsetting the previous loss and reserving for tax payment, the Company should appropriated 10% of the remaining earnings as its legal reserve and with special reserve appropriated or reversed pursuant to the rules stipulated by the competent authority. The remaining earnings, if any, plus the retained earnings of the prior periods after reserving certain percentage of the total amount for business operation shall be distributed as follows:

1. Employee bonus at 1%~20%
2. Remuneration to directors and supervisor at 1%
3. The remaining balance is for dividend to shareholders.

The employee bonus referred to above is to be distributed also to the employees of the subsidiaries that meet certain criteria, which are to be determined by the Company's board of directors with authorization.

II.The proposal for dividend distribution is to be resolved in this Shareholders' Meeting:

The dividend (cash dividend) to shareholder for an amount NT$3,787,254,600 is proposed to be appropriated from the 2014 earnings. Once the proposal is resolved in the shareholders' meeting, the board of directors will be authorized to have the distribution base date scheduled. The dividend distribution is calculated in accordance with the shareholding of the respective shareholder booked in the Shareholder Registry on the scheduled base date. Dividend is distributed in accordance with the outstanding 631,209,100 shares of common stock on February 4, 2015. Dividend to shareholders is for NT$6 per share. Subsequently, for any changes in the distribution ratio due to the change of law and regulations, the change in the authorization of the competent authorities, or the change in the outstanding shares, the shareholders' meeting is to have the board of directors authorized to have the dividend per share adjusted in accordance with the number of outstanding shares.

III.Any expected major changes in the dividend policy: None

(VII) The impact of the distribution of stock dividend as proposed in this Shareholders Meeting on the Company's operation performance and earnings per share:

The distribution of stock dividend was not proposed in the 2014 shareholders' meeting; also, the Company is not required to publish the 2014 financial forecast in accordance with the provisions; therefore, no need to disclose the annual forecast information.

(VIII) Employee Bonus and Remuneration to Directors and Supervisors:

1. Percentage or range set out in the Articles of Incorporation

Should there be retained earnings after the final settlement of the fiscal year, in addition to offsetting the previous loss and reserving for tax payment, the Company should appropriated 10% of the remaining earnings as its legal reserve and with special reserve appropriated or reversed pursuant to the rules stipulated by the competent authority. The remaining earnings, if any,plus the retained earnings of the prior periods after reserving certain percentage of the total amount for business operation shall be distributed as follows:

一、 Employee bonus at 1% ~ 20%

二、Remunerations to directors and supervisors at 1%

三、The remaining balance is for dividend to shareholders.

The employee bonus referred to above is to be distributed also to the employees of the subsidiaries that meet certain criteria, which are to be determined by the Company's board of directors with authorization

2.The estimation base for the distribution of employee bonuses and remuneration to directors and supervisor, the calculation base of the outstanding shares for the distribution of stock dividend, and the accounting process for the differences between the actual amount distributed and the estimated amount:

For the earnings distribution resolved in the shareholders' meeting, if the amount of the employee bonus and remuneration to directors and supervisors is changed, the amount of difference should be handled in accordance with changes in accounting estimates and booked in the profit and loss of the following year without affecting the financial report that had already been acknowledged.

3.Information about the proposed distribution of employee bonus as approved by the Board of Director:

(1)The Company's Board of Directors had resolved the distribution of the 2014 earnings on March 31, 2015 as follows:

Distribution of employee bonus proposed in the amount of NT$126,000,000.

Distribution of remuneration to directors/supervisors proposed in the amount of NT$12,000,000 .

The proposed distribution of employee bonus and remuneration to directors and supervisors resolved in the board meeting was no difference from the expense amount estimated in the booking year.

(2) The ratio of the proposed distribution of employee stock dividend payments to the total amount of the net income and employee bonus on the proprietary or individual financial statements: NA

(3) The estimated earnings per share with the consideration of the proposed distribution of employee bonuses and remuneration to directors and supervisors: NA

4. The distribution of the 2013 earnings as employee bonus and remuneration to directors and supervisors:

(1)The distribution of the annual employee bonus and remuneration to directors and supervisors is as follows:

Employees Cash dividend: NT$70,000,000

Remuneration to directors and supervisors: NT$12,000,000

(2)If the amount referred to above differs from the employee bonus and remuneration to directors and supervisors recognized, please state the number of differences, causes of differences, and the treatment scenarios: None

(IX) Situations of the Company's buy back stocks: None

II. Corporate bond:

<table>
<tr><td colspan="2">Type of corporate bond</td><td>The secondary convertible corporate bonds</td></tr>
<tr><td colspan="2">Issuing (handling) date</td><td>100 年 5 月 26 日</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issuance and trading places</td><td>NA</td></tr>
<tr><td colspan="2">Issuing price</td><td>Issued in accordance with par value</td></tr>
<tr><td colspan="2">Total amount</td><td>NT$800 million</td></tr>
<tr><td colspan="2">Interest rate</td><td>0% Coupon rate</td></tr>
<tr><td colspan="2">Duration</td><td>3-year; Maturity date: May 26, 2014</td></tr>
<tr><td colspan="2">Guarantee Agency</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>China Trust Commercial Bank</td></tr>
<tr><td colspan="2">Underwriter</td><td>KGI Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Attorney</td><td>Far East Law Office
Attorney Y.W. Chiu</td></tr>
<tr><td colspan="2">CPA</td><td>Deloitte & Touche
CPA Jr Shian Ke and CPA Chin Hsiang Chen</td></tr>
<tr><td colspan="2">Repayment method</td><td>Please refer to Article 6 of the “Rules Governing the Issuance and Conversion of Corporate Bonds.”</td></tr>
<tr><td colspan="2">Unpaid principal</td><td>NT$800 million</td></tr>
<tr><td colspan="2">Redemption or early solvency clause</td><td>Please refer to Article 18 of the “Rules Governing the Issuance and Conversion of Corporate Bonds.”</td></tr>
<tr><td colspan="2">Restriction clauses</td><td>NA</td></tr>
<tr><td colspan="2">Credit rating agency name, rating date, and corporate bond rating result</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>Amount of converted (exchanged or subscribed) common stock, GDR, or other marketable securities up to the publication of the annual report</td><td>None</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) approaches</td><td>Please refer to the “Rules Governing the Issuance and Conversion of Corporate Bonds.”</td></tr>
<tr><td colspan="2">Issuance and conversion, exchange or subscription approach, possible impact of issuance conditions on equity dilution, and the impact on existing shareholders’ equity</td><td>NA</td></tr>
<tr><td colspan="2">Name of the depository institution for the exchange subject</td><td>NA</td></tr>
</table>

Note 1: Advantech domestic secondary convertible corporate bond was no long traded on OTC since January 21, 2014.

III. Preferred Stock issued: NA

IV. Global depositary receipts issued: NA

V. Employee Stock Options issued

(I) The Company's outstanding employee stock options and its impact on shareholders' equity up to the publication of the annual report:

Types of employee stock option certificate	2010 Employ stock option	2014 Employ stock option
The effective date of declaration	July 06, 2010	July 29, 2014
Issuing date	July 09, 2010	August 12, 2014
The number of units issued	3,000 units	5,000 units
Ratio of the number of shares available for subscription to the total number of shares issued	0.48%	0.79%
Duration of subscription	07/6/2012 ~ 07/05/2015	8/12/2016 ~ 8/11/2020
Method of performance	Issuance of new shares	Issuance of new shares
Restrictive subscription period and ratio (%)	40% of the granted stock option certificate is exercisable after 2 years, 70% after 3 years, and100% after 4 years.	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and100% after 5 years
Number of shares subscribed	2,666,000 shares	0
Amount of shares subscribed	$26,660,000	0
Number of shares yet to be subscribed	334,000	5,000,000 shares
Subscription price per share for the unsubscribed shares	$48.3	$100
Ratio of the unsubscribed shares to the total number of shares issued (%)	0.05%	0.79%
Impact on shareholders' equity	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.05% of the number of shares issued, which will not have significant impact on shareholders' equity.	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.79% of the number of shares issued, which will not have significant impact on shareholders' equity.

(II) **Name of the managers with employee stock option certificates obtained, the top-10 employees with stock option certificates obtained, the respective acquisition and subscription:**

March 30, 2015

Units: Except for stock subscription price in NTD, NT$ Thousand

	Title (Note 1)	Name		Number of shares acquired	Ratio of subscribed shares to total number of shares issued	Subscribed (Note 2)				Unsubscribed (Note 2)			
						Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued	Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued
Management	President	Chaney Ho	2014 employee stock option certificate	500,000	0.08%	0	0	0	0	500,000	100	0	0.08
	Vice President	Deyu Yin											
	Vice President	Albert Huang											
	Vice President	Eric Chen											
Management	President	Chaney Ho	2010 employee stock option certificate	200,000	0.03%	60,000	53.10	3,186	0.01%	0	0	0	0
						60,000	48.3	2,898	0.01%				

VI.Restricted Employee Shares: NA

VII. Issuance of new shares for the shares acquired or transferred from other companies: NA

VIII. Implementation of fund plan: NA

V. Operation Highlights

I. Business Activities

(I) Business Scope

1. Major business operation of the Company:
   (1) The design, assembly, combination, production, and trade of computer testing equipment and automated test systems;
   (2) The processing, manufacturing, and importing/exporting (except for the restricted items) of computers, electronics, and electrical components and devices;
   (3) The design, contracting, installation, and maintenance of computers and electronic control automation systems;
   (4) Computer software design;
   (5) Handling the agency, quotes, bidding, and sales of the products referred to above on behalf of the domestic and foreign manufacturers;
   (6)The assembly, manufacturing, trade, and importing/exporting business of the wired and wireless communications equipment;

2. Major products and business ratio of the Company:

Unit: NT$ Thousand

Ratio / Major product	2014	
	Sales Amount	%
Industrial Control	5,325,310	15
Industrial computer	8,929,026	25
Embedded board and case	14,305,236	40
Industrial applied computer	3,127,125	9
After-sale service and other	4,045,002	11
Total	35,731,699	100

3.The Company's currently offered products: Embedded board and case, industrial applied computer, industrial control, industrial computer, and after-sale service and others.
4. New product development plan of the Company:
   (1) Intelligent City & Building;
   (2) Telecom-3.5G Base Station High Performance Computing;
   (3) Digital signage:
      - Digital Signage Appliance;
      - All-in-one Digital Signage Display/ Station;
   (4) Patient infotainment terminal for bedside care;
   (5) In-vehicle box PC;
   (6) Industrial NVR exclusive products;
   (7) Intelligent lighting control and environmental control solutions;
   (8) Mobile Clinical Assistant (MCA);
   (9) APAX-5000 Programmable Automation Controller (PAC) Series;
   (10) BAS-3000 Direct Digital Control (DDC) Series;
   (11) IEC 61850-3 Transformer station automation product series;
   (12) WISE IoT embedded wireless sensing devices;
   (13) Industrial Ethernet Switch;
   (14) COM System Module;
   (15) Industrial Motherboard;

(16) PICMG Industrial-grade single board;
(17) New generation single-board computers;
(18) Industrial embedded computer;
(19) Industrial standard system computer;
(20) Embedded software modules;
(21) DTOS Specific customized services
(22) Robust product design;;
(23) COM Customized design services;
(24) Embedded Software Design Services;
(25) BIOS Customized Services;
(26) Industrial-grade tablet and mobile computing device customized services;
(27) Industrial-grade embedded computers and motherboards customized services;
(28) Retail-related computing terminals and solutions customized services;
(29) Medical-related computing terminals and solutions customized services;
(30) Gamble game machines and systems integration customized services;

(II) Industry Summary

Industrial PC (IPC) was first used in factories manufacturing process, instruments and machinery equipment control, and monitoring and testing. From a narrow perspective, it is limited to the industrial automation board systems, mainly for the use of automation equipment. Under the integrated application of the communications networks, software, and photoelectric a few years ago, industrial computers gradually applied to all aspects of life, emphasize the intended use. From MRT card readers, vending machines, ATM, POS, gambling, network storage (NAS), Digital Signage, intelligent building automation monitoring systems and environmental monitoring systems, and lottery tickets computers that made IPC industry flourishing and going beyond the original “industrial” field. In recent years, industrial computer is officially renamed as “intelligent industry” after filing with the Ministry of Economic Affairs.

According to the law of the “A major change in every fifteen-year” by the IT industry, there will be a new and critical technology surfaced in every 15-year. According to a recent observation, the current environment is facing industrial changes, of which, several industrial phenomena are the key factors to the changes. After years of changes and deliberation recently, the world has officially entered the smart generations; therefore, the manufacturers of the industry will try to substantiate and meet the needs of the intelligent generation in various industries by providing the related services to the cloud infrastructure, cloud intelligent services, and IoT and smart city industry.

According to the forecast of Gartner, the total number of users for mobile phone, tablet, and PC will reach 7.3 billion units in 2020, while internet of things (IoT) devices will significantly exceed the devices referred to above to 26 billion units. By then, marginal revenue of US$300 billion will be generated. The huge gains are derived from the perfecting IoT technology recently and the global demand for smart city cognition. However, although IoT is an innovative concept, it is not composed by a new industry; on the contrary, it is fused together by the automation industry, the telecommunications industry, and computer industry.

In the three-tier structure (overall perception, reliable delivery, and intelligence computation) of IoT, the infrastructure will be provided by the automation industry respectively to constitute a comprehensive perception of the first tier with the pooled and converted information; also, the telecommunications industry is to have the converted information uploaded to the cloud to form a reliable delivery of the second tier; and finally, the computer industry is to combine the software for data analysis and constructing an intelligence computation of the third tier; also, to have the result integrated with the service industry and to have the information conveyed to the hands of the end user, so that the originally unrelated three industries can be combined through the IoT.

(III) Technology and Research & Development

1. The R&D expense incurred in the most recent year and up to the publication of the annual report:
   (1) Total R&D expense amounted to NT$3,235,226 thousand in 2014;
   (2) Total R&D expense amounted to NT$848,681 thousand in 2015Q1;

2. Successfully developed technology or product

   The Company values the importance of R&D. In addition to dedicating massive manpower in product R&D in Taiwan, there are also R&D teams designated in the USA, Europe, and China to accelerate the product development speed and grasp the market development.

   The Company has more than four new products launched in every year and with 47 patents acquired domestically or internationally by the end of 2013.

(IV) Long-term and short-term business development plan

In response to the arrival of smart cities and IoT, Advantech will initiate a long-term and short-term business development plan to actively promote and implement the vision of "driving smart city innovation and create IoT industry model jointly."

- Short-term business development plan

  In order to respond effectively to a variety of trends derived from smart city and IoT, Advantech starting from a few years ago has begun a series of layouts, including:
  - Promoting Smart Earth" was the corporate vision and objectives in 2009;
  - Adjusted the internal organization as Sector Lead-oriented that could respond to market demand promptly in 2012; also, merged and acquired enterprises that helped Advantech strengthened operation in each Sector in recent years, such as: ADLoG, AdvanPOS, BICOM INFO TECH, INC., Advantech LNC Technology Co., Ltd., Innocore, and GPEG.
  - Completed two Smart Industrial Parks in 2013-2014: Kunshan Collaborative Innovation R&D Center A + TC and Linkou Industrial Park, as the base for customers to experience and help with innovation collaboratively.
- Long-term business development plan:

  Advantech has based on the core concept of "Connecting the Dots" to form strategies and deployment; also, proposed the three strategic policies and its contents for the next five years:
  - **Focus on robotics industry, profound software strategy, work on SRP business model, and provide comprehensive IoT solutions**

    Since Advantech-LNC team joined Advantech automation business group in August 2013, Advantech is actively expanding its influence on Machine Control & Robotics field. Recently Advantech is cooperating with the Hiwin Technologies Corp. and ITRI to exercise their respective core competence to accelerate nurturing Taiwan to become a Service Solution Integration (SSI) company equipped with high-end smart plant automation system construction ability in order to exercise Taiwan robotics industry supply chain synergies; also, to apply the Domain

Knowhow in various files to serve industries, such as, electronic assembly plants, semiconductor plants, food and beverage plants, pharmaceutical plants, and metal processing plants.

In addition, in order to meet the different needs of various industries of smart city, Advantech will also refine IoT software strategy to provide a full range of IoT solutions with Solution-Ready Package (SRP) operating mode. IoT software strategy will base on Advantech WebAccess browser-based software and with SUSIAccess intelligent remote management software to provide HMI/SCADA and WebAceess/SCADA) for IoT data collection, WebAceess+IVS for IoT data analysis, and WebAceess+IMM for IoT data interaction.

- **Strengthen industry mergers and acquisitions, investments, and alliances through the "Advantech Corporate Investment (ACI)**

  For accelerating the realization of smart city and IoT, Advantech has established the "Advantech Corporate Investment (ACI)" to actively seek for suitable investment targets for merging and acquiring global network partners, investment software, and IoT key technology solutions providers; also, for targeting on strategic investment cooperation. Recently Advantech has targeting on the six investment objectives of manufacturing, robotics, medical, retail, automotive, and intelligent building. In addition, will actively work with the upstream and downstream industry partners to form a strategic cooperation, establish smart city and IoT industrial development alliance to promote the related businesses, and establish IoT laboratories in various universities, hoping have the concept of smart city and IoT developed comprehensively through the cooperation of the industry, academia, and research.

- **Establish the Business Leadership Management (BLM) and sustainable operation**

  For the evolution of the corporate governance and corporate sustainable development, the Board structure will be strengthened with experts in different field invited to be directors and supervisors of Advantech in order to exercise the real function of consultants to the Board. In addition, the business experience will be continuously passed on to the four business groups (Strategic Business Group (SBG) with the Business Leadership Management (BLM) system in order to further achieve the goals of sustainable business operation.

II. Market, Production, and Sales overview

(I) Market Analysis

1. Main product and main market:

Unit: NT$ Thousand

Area	2014
America	11,245,587
Asia (including Taiwan)	19,436,475
Europe	5,049,637
Total	35,731,699

2. Market share and future supply and demand, and its growth

According to the forecast of Gartner Research, global demand for connecting device will reach a trillion units by 2040 that shows a significant increase in global demand for connecting device in the IoT era. The Gartner Research furthers pointed out that an amount of US$166 billion will be invested in IoT industry by 2020, of which, mostly in the fields of transportation, retail, warehousing, medical, and manufacturing industry. In addition, the development of IoT application will be focusing on the 3D printing industry, industry 4.0, and robots. Therefore, Advantech will develop more relevant strategies, deployments, and plans towards the directions referred to above.

3.Competitive advantages, favorable and unfavorable factors for the development prospect, and the countermeasures:

Advantech will focus on the following five business directions for achieving the following objectives: Sector-Lead business model, establishing IoT-WISE Cloud (Platform as a Service (PaaS) service platform, nurturing medium and large systems integrators to accelerate SaaS (Service as a Service) application replication, strategic investments and strategic alliances IoT upstream and downstream ecosystem vendors to accelerate IoT industry formation, and constructing Advantech as an IoT and industry 4.0 customer Experience Center.

- **Link research juristic person and downstream key customers, actively nurture the medium and large systems integrators in Taiwan**

The system integrators in vertical application fields are the key value of IoT and smart city industry. However, medium and large system integrators are hard to come by in current environment of Taiwan. For improving the formation of system integrators significantly in Taiwan, the government's involvement and leadership is inevitable. Combine the sources of R&D talents from ITRI and Institute for Information Industry and the marketing and management talents of private sectors to form a system integration company can truly help realize the formation of smart city and IoT industry chain in Taiwan, and thus construct the ecosystem of each industry.

Advantech will be actively involved in investment in this manner to accelerate nurturing medium and large IoT system integrators in Taiwan, of which, the focus will be on intelligent manufacturing, smart construction and energy saving, smart automotive, and smart retail industry.

- **Build PaaS (Platform as a Service) service, activate hardware sales with software value-added services**

Advantech has applied wireless technology to develop the Wireless IoT Solutions Embedded Cloud, WISE-Cloud to meet the need of IoT industry, of which, PaaS service will be the key future for the rapid growth of smart city and IoT industry in Taiwan; also, it will be the core development to be invested by Advantech.

The PaaS of the Wireless IoT Solutions Embedded Cloud, WISE-Cloud is targeting on the providing the system integrators with the comprehensive development tools and technical service. The manufacturers with a "membership" will be assisted to solve the R&D resources shortage issue while entering the IoT platform and will further help the system integrators solve the access barriers.

The Company's other products awarded in recent

Year	Awards
2015	▪ The 23rd Symbol of Excellence Gold Medal and Silver Medal Winner for 7" medical and industrial-grade handheld tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for ATCA 100GbE advanced communications server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for EKI Spec. Ethernet network switches, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Open-type network structure HMI/SCADA software, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Ultra-low-power consumption simple embedded IoT system, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for industrial-grade tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Fanless & Wide-range temperature Embedded System, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Embedded Gambling System, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for High-performance smart embedded computer module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for SoC wide-range temperature embedded applied computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for 4K2K four-display high-performance smart digital signage player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for 21.5" Thin open-type frame LED backlit touch screen, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for Integrated on-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for high-performance broad application robust Tablet PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for multi-function data collection card series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for robust Industrial Computers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for 7" medical handheld tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 23rd Symbol of Excellence Winner for on-board monitoring Embedded fanless smart system, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2014	▪ Awarded with the "2014 Taiwan Top 10 Global Brands" Award. ▪ Advantech received the CSR Best Workplace Excellent Award from Global Views Monthly in 2014. ▪ The 22nd Symbol of Excellence Winner for High-performance network security equipment, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for ATCA 40GbE advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Advantech WebAccess-open network structure HMI / SCADA software, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Programmable Automation Controllers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Superthin and bright industrial LCD panel, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Industrial-grade multi-touch points man-machine interface, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Industrial-grade wide-screen tablet displays, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Smart remote Ethernet network data collection modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for PoE (Power over Ethernet) industrial Ethernet Switch, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for High-performance smart embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	▪ The 22nd Symbol of Excellence Winner for lightweighted smart micro-fanless embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Low-power consumption simple smart connected device, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Low-power consumption miniature embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for ATCA dual processor advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 22nd Symbol of Excellence Winner for Mobile Industrial Computers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2013	▪ Awarded with the “2013 Taiwan Top 12 Global Brands” Award. ▪ Advantech Industrial Automation Group - Human Machine Interfaces (HMI) TPC and SPC series won Germany iF product design award in 2013. ▪ The 21st Symbol of Excellence Winner for High-performance network security equipment, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for ATCA 40GbE advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Industrial-grade wireless data collection module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for IEEE 802.11a / b / g / n Industrial Wireless Outdoor Mesh, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Green low-power consumption smart industrial-grade server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Innovative high elastic expansion single-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Smart wide-range temperature miniature motherboard MI/O Ultra Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Robust design, high elastic expansion single-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Super bright smart industrial-grade display panel, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Industrial-grade ultra-thin open-frame display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Dual processors ATCA advanced communications server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Smart miniature fanless embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Open-style Easy handling digital electronic multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for High-Performance Multi-Display Digital Electronic Multimedia Player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Streamline energy-saving digital signage, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 21st Symbol of Excellence Winner for Energy data centralized computation, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2012	▪ Awarded with the 11th place of the “2012 Corporate Citizen Award” by Commonwealth Magazine. ▪ Awarded with the “2012 Taiwan Top 11 Global Brands” Award. ▪ The 20th Symbol of Excellence Winner for TREK-753 full-featured integrated on-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Industrial tablet touch panel display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Cascaded-type real-time Ethernet remote data collection module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Innovative interface single-board computers MI/O Extension, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Smart miniature motherboard MI/OUltra Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	▪ The 20th Symbol of Excellence Winner for High seismic wide-range temperature PCI-104 CPU board, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Green energy-saving industrial-grade motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Electricity market exclusive fanless embedded industrial computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Industrial-grade flat touch panel LED display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Open-style Easy handling digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Low-power consumption high display digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 20th Symbol of Excellence Winner for Expandable blade-type 5-slot Industrial PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2011	▪ Awarded with the "2011Taiwan Top 10 Global Brands" Award. ▪ The 19th Symbol of Excellence Winner for ARK-VH200 fanless on-board DVR embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for FWA-6500 network applied platform, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for NCP-5260, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PC/104, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PCM 9562, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PEC-3240 fanless industrial-grade embedded motion controller, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for PIT-1501W healthcare and infotainment entertainment systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for SOM-5788 Intelligent smart embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for Low-power consumption and wide-range temperature industrial touch control PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 19th Symbol of Excellence Winner for TREK-550, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2010	▪ Awarded with the "2010 Taiwan Top 12 Global Brands" Award. ▪ Awarded by Chinagkong with the "Decade Industrial Contribution" and "Decade Leading Industry." ▪ The 18th Symbol of Excellence Winner for IPPC- 8151S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for APAX- 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for Uno- 1100 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for UTC-W101E, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for NCP-7560, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 18th Symbol of Excellence Winner for MIC-5322, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2009	▪ The 17th Symbol of Excellence Winner for IPPC 7517, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 17th Symbol of Excellence Winner for EKI 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ Awarded with the "Electron d'Or Award for Industrial and Network Computing Architecture (INCA)" ▪ Awarded with the "2009 Taiwan Top 12 Global Brands" Award. ▪ Awarded with the "2009 China Outstanding Innovation Enterprise" award by CIO IT Magazine.
2008	▪ Advantech received the 4th prize of the 2nd "Corporate Social Responsibility Award" from Commonwealth Magazine, Taiwan, ROC ▪ The 16th Symbol of Excellence Winner for UbiQ 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for VITA 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for UNO-2182, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for TPC-30T/TPC-32T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 16th Symbol of Excellence Winner for IPPC-7157A/IPPC-7158B, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2007	▪ Advantech received the 3rd "Corporate Social Responsibility Award, Top Honor" in 2006 from Global Views Magazine, Taiwan, ROC ▪ Advantech received the 1st "Corporate Social Responsibility Award from Commonwealth Magazine, Taiwan, ROC ▪ ARK-3381 received Computex Taipei Best Choice Award. ▪ The 15th Symbol of Excellence Winner for UibQ-230, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 15th Symbol of Excellence Winner for ARK-4170, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 15th Symbol of Excellence Winner for ADAM-5550KW, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2006	▪ Advantech received the 2nd "2006 Corporate Social Responsibility Award" from Global Views Magazine, Taiwan, ROC ▪ Received the Supplier of the Year for the Embedded Single-Board Computer from "Control Design" Magazine ▪ Advantech awarded by Intel with the "Intel Associate Partner of the Year" and "Multi-Core Solution Contest Award." ▪ Advantech received Microsoft's "The Most Growth Award in Asia Award."
2005	▪ Awarded with the 13th MOEA "Industrial Technology Advancement Award of Excellence." ▪ Gold Award Embedded Control Europe (ECE) magazine readers awarded TREK-755 Sunlight Readable Model with Gold Award

2004	▪ Awarded with the "2004Taiwan Top 10 Global Brands" Award by the Bureau of Foreign Trade, MOEA. ▪ The 10th Symbol of Excellence Winner for Small-size industrial-grade touch controlled computer TPC-60S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for Industrial-grade front-wired fanless computer UNO-3062, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for Industrial computer work station AWS-8100G, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ Won the Control Design Reader's Choice Award for "Single Board PC" First Prize. ▪ FPM-3170 17" Flat Panel Monitor received the "2004 Editor's Choice Award" HMI First Prize from Control Engineering Magazine (USA).
2002	▪ Accepted as the one and only Gold-Level Partner in Microsoft's Windows Embedded Partner ODM Category. ▪ The 10th Symbol of Excellence Winner for Smart home network terminal EH-7102G / GH, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 10th Symbol of Excellence Winner for 586-grade Internet accessible equipment remote monitoring system WebLink2059-BAR / CE / SDA / SKT, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2001	▪ Completed the "MOEA Industry Technology Development Industrial Plan (ITDP)" of the Technology Division MOEA ▪ Multimedia network telephone ES-510 received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC ▪ Full-function LCD touch computer PPC-153T received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC ▪ The 9th Symbol of Excellence Winner for Multimedia network telephone ES-510, the MOEA, Taiwan, ROC. ▪ The 9th Symbol of Excellence Winner for Full-function LCD touch computer PPC-153T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 9th Symbol of Excellence Winner for Family Vestibule Internet terminal EH-760, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 9th Symbol of Excellence Winner for multifunction firewall WEB-2143, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2000	▪ Full-function LCD touch-type computer PPC-153T awarded with the "Best Innovative Product Award" by KIOSK Magazine (USA). ▪ IPC-601 awarded with the "Most Valuable Product" Award at the Telecom Network Exhibition. ▪ MIC-3032 awarded with the "Most Valuable Product" at the telephone computer voice integration exhibition. ▪ 2A-100 awarded with the "Most valuable Telecom Network Telecom Product" by the US telecom network magazine
1999	▪ ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan ▪ ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan. ▪ The 7th Symbol of Excellence Winner for card-type computer CPC-2245, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 7th Symbol of Excellence Winner for Touch control server PPC-A100T-R50, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
1998	▪ Awarded with the Most Representative Outstanding Company by Industrial Development Bureau, MOEA, Taiwan, ROC ▪ PPC-102T Panel Computer received the 6th Gold National Award of Excellence, Taiwan, ROC ▪ The 6th Symbol of Excellence Winner for PC-based remote monitoring system ADAM-5000 series, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 6th Symbol of Excellence Winner for PPC-102T Panel Computer, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ The 6th Symbol of Excellence Winner for Multi-function LCD panel computers PPC-140T, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. ▪ PPC-140T Multi-Function Panel PC received the Comdex Asia 98 "Best Hardware System Award." ▪ Multi-function LCD panel computers PPC-140T awarded with the "KIOSK Best Solution Product" by CRN Magazine (USA). ▪ IPC-6908 awarded with the "Most Valuable Product of the Year" by CTI Magazine (USA) ▪ Advantech received the 4th place of the "Most Worthy of Investment Companies" Award from Commonwealth Magazine, Taiwan, ROC ▪ Advantech received the 6th place of "The Best Performing Companies" Award from Commonwealth Magazine, Taiwan, ROC
1997	▪ Received ISO-14001 Environmental Management System Certification. ▪ Awarded with the 5th Award for Industrial Technology Advancement Most Outstanding Award, the MOEA, Taiwan, ROC ▪ IPC-622 awarded with the "Most Valuable Product of the Year" Award by the US Computer Telephony Magazine.
1996	▪ Awarded with the 4th Award for Industrial Technology Advancement and Outstanding Award, the MOEA, Taiwan, ROC ▪ The 4th Symbol of Excellence Winner for ADAM-4000 Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
1995	▪ The in-house developed industrial control software -GENIE awarded with the "Outstanding Information Application Award."
1993	▪ Awarded with the 2nd National Award of Small & Medium Enterprise by National Association of Small & Medium Enterprise ▪ Received ISO-9001 Quality Management System Certification.
1992	▪ Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City ▪ ROC Blue Chip Corporate Training Unit "Gold Merchant Award"
1991	▪ Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City
1990	▪ Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City
1989	▪ Awarded with the "Innovative Product Award" at the 3rd Instrument Exhibition, Taipei City, ROC

(II) Main Applications of major products and their manufacturing processes

1. Main applications of major products:

(1) Embedded board and case

The embedded computer card is functioned as the control module of the PC and provides control components of PC under the industrial automation control environment. Embedded computer case integrates PC functionality to provide high-performance, small size, and one-piece unit.

(2) Industrial applied computer

The Company took the lead in 1997 to develop a one-piece computer with LCD screens, the server, and keyboard combined. The series included different levels of models from 386 to Pentium MMX; also, the LCD size is 5.7", 6.4", 10.4", 12.1", 14", 15", and 17". In addition, the products contained the characteristics of space-saving and multiple mounting methods. The Company had branched out into specific niche vertical markets, developed specific industrial computer platform products, such as, medical equipment, digital monitoring, electronic player, industry on-board, network family-related applied platform, etc.

(3) Industrial control

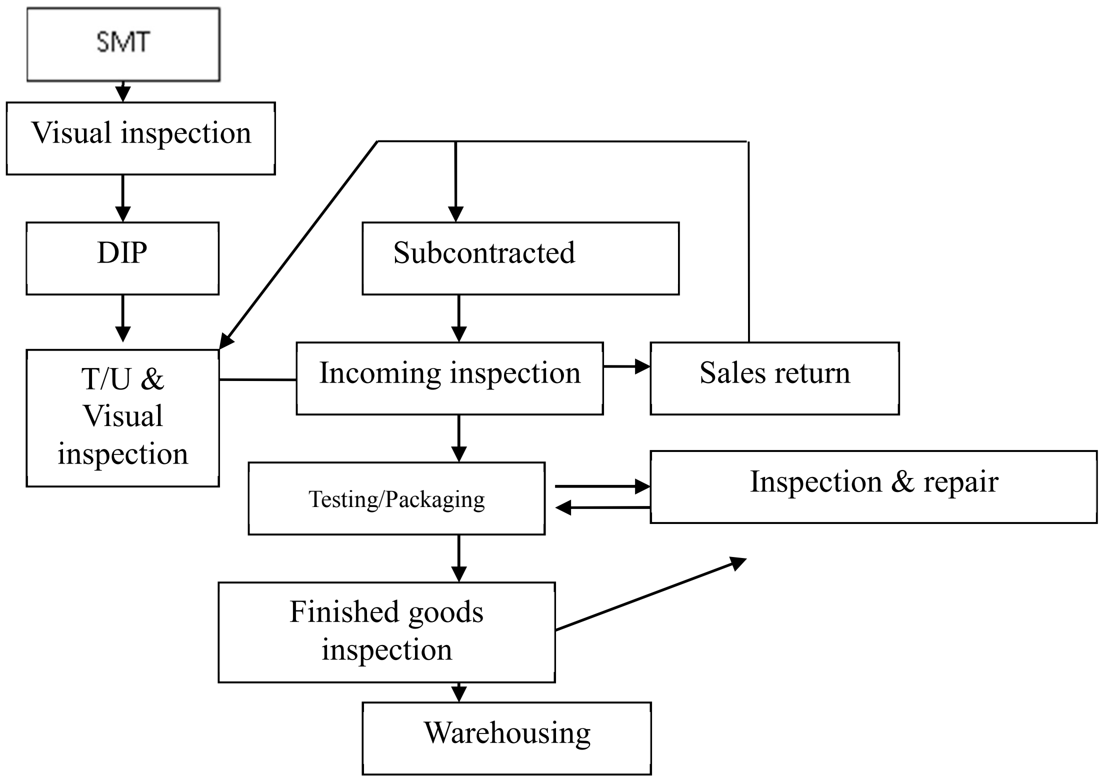
Remote measurement and control module is used to collect and control field data signal.

(4) Industrial computers and other

An industrial-grade computer and case is used in an industrial environment that requires a computer to endure high temperature, high humidity, and vibration.

2.The production process of main products:

Process control flowchart



(III) The Supply of Major Materials

Raw material	Supplier
Integrated circuit <including chip>	Sertek, Arrow Rapac, WPIG, WT
LCD	Promate, Sertek
Touch screen sensor <Glass>	Salt International Group
PCB	Circuitech, Canyon, ACCL, eBook

Note: The raw material suppliers referred to above are reputable domestic and foreign manufacturers and have been doing business with the Company for years with a stable cooperative relationship held.

(IV) The name, purchase (sale) amount, and ratio of the suppliers (customers) accounted for over 10% of the total purchase (sale) in one of the last two years, and the reason for the changes in purchase (sales):

1. List of Major Suppliers with over 10% of the total purchase in one of the last two years:

Unit: NT$ Thousand

	2013				2014				As of 2015Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the last quarter of the year (%)	Relationship with the issuer
1	Sertek	1,852,222	11.69	None	Sertek	2,161,855	11.82	None	Sertek	907,030	19.32	None
2	Others	13,990,304	88.31		Others	16,122,993	88.18		Others	3,788,906	80.69	
3	Net purchase amount	15,842,526	100		Net purchase amount	18,284,848	100		Net purchase amount	4,695,936	100	

2. List of Major Customers with over 10% of the total sales in one of the last two years:

Unit: NT$ Thousand

	2013				2014				As of 2015Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	〔%〕Percentage of the last quarter of the year (%)	Relationship with the issuer
1	Others (Note)	30,660,034	100.00	None	Others (Note)	35,731,699	100.00	None	Others (Note)		100.00	None
	Net sales amount	30,660,034	100.00		Net sales amount	35,731,699	100.00		Net sales amount		100.00	

Note: No single customer accounted for more than 10% of total sales amount.

(V) Production, Volume, and Value of the last two years

Unit: Unit/PC; NT$ Thousand

Year / Production Capacity / Main Products	2013			2014		
	Production capacity	Production quantity	Production Value	Production capacity	Production quantity	Production Value
Industrial control	649,089	675,229	1,975,456	924,026	885,232	2,830,799
Industrial computer	299,721	292,985	4,234,991	417,358	408,191	5,479,154
Embedded board and case	1,446,106	1,278,452	5,331,266	1,441,724	1,576,130	6,277,733
Industrial applied computer	46,370	78,591	1,319,680	83,021	78,006	1,141,286
After-sale service and others	63,175	72,845	489,412	185,314	174,595	623,930
Total	2,504,461	2,398,102	13,350,805	3,051,444	3,122,154	16,352,902

(VI) Sales Volume and Value of the last two years

Unit: Unit/PC; NT$ Thousand

Year / Sales quantity and amount / Main Products	2013				2014			
	Domestic Sales		Export Sales		Domestic sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Industrial control	68,337	352,794	556,236	4,181,591	77,966	462,035	656,987	4,861,584
Industrial computer	73,645	313,108	541,818	6,198,572	39,808	348,070	426,428	8,575,885
Embedded board and case	202,166	1,257,588	1,504,691	10,339,027	282,198	1,661,341	1,992,862	13,331,174
Industrial applied computer	16,130	204,234	347,336	4,713,270	2,058	49,126	161,276	2,295,772
After-sale service and others	12,654	765,282	69,931	2,334,568	28,816	704,846	133,615	3,441,866
Total	372,932	2,893,006	3,020,012	27,767,028	430,846	3,225,418	3,371,168	32,506,281

III. Employee information

March 20, 2015

Year		2013	2014	104年03月31日 As of March 31, 2015
No. of Employee	Direct staff	2,063	2,469	2,400
	Indirect staff	4,018	4,730	4,789
	Total	6,081	7,199	7,189
Average age		32.5	33.3	33.6
Average seniority		4.4	5.0	5.2
Academy Ratio	Ph.D	0.2	0.3	0.3
	Master	15.3	16.0	16.8
	College	39.5	40.4	40.8
	Senior High School	40.9	39.2	38.2
	Below Senior High School	4.2	4.0	4.0

IV. Expenditures pollution expenditures

The amount of penalty/fine (including compensation) imposed due to environmental pollution in the most recent year and up to the publication of the annual report, countermeasures and potential expenditures: None

V. Labor Relation

(I) The Company's employee welfare measures, education, training, retirement system and its implementation, as well as the agreement between the employers and the employees, and the implementation of the employee's rights protection:

1.Employee welfare measures:

Uphold the "Perfectionism" business philosophy. The Company values the employee benefits policy. A dedicated unit (Human Resources Department) is setup within the organization to plan a series of welfare measures in order to provide the staff with a stable lifestyle, to protect the interests of employees, and thus promote employer-employee harmony.

The Company believes that the employee will be able devote to work wholeheartedly and exercise their job strengths to create high quality products and promote the progress and prosperity of the whole enterprise only when their welfares and life security are protected.

(1) The welfare measures directly handled by the Company:

A、Employee bonus;

B、Labor insurance;

C、National health insurance

D、Group insurance

E、Annual health check

F、Training course, irregularly hold various training workshops and seminar activities

G、Marriage, funeral, joy, celebration grants

H、Dragon Boat Festival and Mid-Autumn Festival gifts

I、Yearend banquet dinner

(2) Welfare measures handled by the Company's Employee Welfares Committee (referred to as the "Committee" hereinafter):

The main source of welfare fund includes 1% of the monthly sales turnover, 40% of the scraps, and 0.5% of the employee's salary for arranging the following welfare measures mainly:

A、Domestic tour

B、Overseas tour

C、Magazine subscriptions subsidies

D、Community ac

E、Birthday celebration

F、Departmental function fund

G、Language proficiency study

H、Movies

I、Arts and cultural appreciation

2. Education, training system, and its implementation

The Company upholds the concept of sustainable business operation. Advantech is in the constant pursuit of a "Happy Enterprise." It is Advantech's vision to build up a happy work place and a beautiful life. We believe that "Employees are our most valuable resources." It is our mission and responsibility to help employees build up a balanced development of work, study, and love.

Advantech School is where to realize the determination of Advantech in nurturing talents and building up a sustainable business. A series of elite training development plan is designed, from ten core courses, Advantech case studies, reading club, E-Learning, Mentoring Program, global elite development camp to job rotation, successor plan, etc; also, a global growth platform focusing on learning is provided that allow all Advantech elites to continue to learn and grow.

The internal rotation and station assignment is also the best way to help build up the international perspective of the elites. Plan short-term TCAP program so that the personnel can develop a diversified international perspective through the change of working environment and job rotations in order to achieve the short-term assignment and gather valuable experience.

For example, in 2014, the total amount invested in the education and training of staff was NT$205.63 million with an average of 51.72 hours training for each employee. The colleagues continue to grow as a person and career planning through the training program of the Company.

3. Retirement system and the status of its implementation, including the old system and the new system:

(1)Old system: The employees who had reported to duty before June 30, 2005 may choose discretionally between the new system and old system. The Company in accordance with the provisions of the Labor Standards Law provides a retirement plan for all formal employees. According to the retirement plan, pension payment is paid in accordance with the average years of service and the average salary six months prior to the retirement. The Company has pension reserve appropriated monthly and has it handled by the Labor Pension Reserve Committee and then deposited in the name of the Committee with the Bank of Taiwan.

(2) New system: The employees who have reported to duty since July 1, 2005 are subject to the new system, as well as the employees who had reported to duty before July 1, 2005 but chose to apply the new system. The Company has an amount equivalent to 6% of the monthly wages and salaries appropriated to the pension account of each employee. Employees may also set aside an amount equivalent to 0%-6% of the monthly wages and salaries discretionally to the pension account and the appropriated amount will be deducted from the monthly paycheck of the respective employee.

4. Agreement between employer and employees:

The Company upholds the concepts of “Unified employer and employee” and “Coexistence” and applies reasonable and humane management with an “Openness” method to establish a smooth communication channel, to maintain a good labor relation, to work together for higher productivity, to share profits, and to establish a stable and harmonious labor relation.

The Company has always upheld the principle of “fairness and impartiality” and “reasonableness and lawfulness” within the consideration of sentiment and legality to communicate and coordinate with the employees in recent years. Explain the difficulties and problems faced by the Company adequately and express the position and assertion of the Company. Respect each other and agree with each other so that both parties will be able to resolve disputes and improve labor relation with both parties treated fairly and justly. Therefore, the Company has never suffered any loss due to labor disputes; moreover, both parties are able to work together for professional development and labor welfare.

5. The protection measures for employee’s benefits:

The Company has Labor Welfare Committee and Labor Pension Reserve Committee established lawfully to plan, appropriate, reserve, and apply the benefit funds and pension reserves, and the matters regulated by the relevant law and regulations; also, has the employee’s benefits and welfare system implemented in accordance with the specifications.

(II) Labor/employer dispute loss incurred in the most recent year and up to the publication of the annual report; also, disclosing estimated current and future loss and its countermeasure: None

VI. Major Contracts

March 31, 2015

Contract	Counter party	Contract Period	Highlights of Provisions	Restrictive Clauses
OEM	Microsoft Licesung, GP	103.07.01~105.06.30	Direct License Agreement	None
Distribution	Microsoft Licesung, GP	103.07.01~105.06.30	TW Distribution Agreement	None

Note: The important contracts referred to above are valid and will be due in the most recent year up to the publication of the annual report.

VI. FINANCIAL INFORMATION

I. Condensed Balance Sheet, Income Statement, Name of the Auditors and Audit opinions with the last five years

(I) Condensed Balance Sheet and comprehensive Income Statement

Condensed Balance Sheets

Item \ Year		Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2015 (Note 2)
		2014	2013	2012			
Current Assets		17,990,032	15,411,630	13,727,313			18,975,579
Property, plant, and equipment		8,876,606	7,941,679	6,391,636			9,129,093
Intangible assets		286,312	326,617	349,185			249,141
Other assets		4,390,870	3,856,158	3,640,611			3971,294,
Total assets		31,543,820	27,536,084	24,108,745			32,325,047
Current Liabilities	Before distribution	7,853,899	7,205,324	5,490,343			7,769,114
	After distribution	(Note 3)	10,223,144	8,253,929			-
Noncurrent liabilities		1,151,857	910,570	891,133			1,116,495
Total liabilities	Before distribution	9,005,756	8,115,894	6,381,476			8,885,609
	After distribution	(Note 3)	11,133,714	9,145,062			-
Shareholder's equity attributable to parent company		22,351,064	19,258,299	17,619,378			23,275,076
Capital stock		6,312,091	5,694,000	5,639,971			6,315,186
Additional paid-in capital		5,306,958	4,995,635	4,701,785			5,378,887
Retained earnings	Before distribution	9,830,382	8,514,157	7,213,023			11,003,153
	After distribution	(Note 3)	5,496,337	4,449,437			-
Other equity		901,633	54,507	64,599			577,850
Treasury stock		-	-	-			-
Non-controlling equity		187,000	161,891	107,891			164,362
Total equity	Before distribution	22,538,064	19,420,190	17,727,269			23,439,438
	After distribution	(Note 3)	16,402,370	14,963,683			-

Note 1: For the financial data with the IFRS adopted for less than five years, the financial data in Table (II) should be prepared in accordance with the Financial Accounting Standards of the R.O.C. The 2012~2014 financial data were audited by the CPA.

Note 2: The 2015Q1 financial data were audited by the CPA.

Note 3: The proposal for the distribution of the 2014 earnings is yet to be resolved in the shareholders' meeting.

Condensed Balance Sheet - Proprietary

Item \ Year		Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2015
		2014	2013	2012			
Current assets		9,411,709	7,914,096	6,998,833			
Property, plant, and equipment		5,354,959	4,608,115	3,967,902			
Intangible assets		86,240	90,729	83,028			
Other assets		14,626,214	12,697,938	11,167,912			
Total assets		29,479,122	25,310,878	22,217,675			
Current liabilities	Before distribution	6,038,793	5,252,614	3,723,161			
	After distribution	（Note 2）	8,270,434	6,486,747			
Noncurrent liabilities		1,089,265	799,965	875,136			
Total liabilities	Before distribution	7,128,058	6,052,579	4,598,297			
	After distribution	（Note 2）	9,070,399	7,361,883			
Capital stock		6,312,091	5,694,000	5,639,971			
Additional paid-in capital		5,306,958	4,995,635	4,701,785			
Retained earnings	Before distribution	9,830,382	8,514,157	7,213,023			
	After distribution	（Note 2）	5,496,337	4,449,437			
Other equity		901,633	54,507	64,599			
Total equity	Before distribution	22,351,064	19,258,299	17,619,378			
	After distribution	（Note 2）	16,240,479	14,855,792			

Note 1: The 2012~2014 financial data were audited by the CPA.

Note 2: The proposal for the distribution of the 2014 earnings is yet to be resolved in the shareholders' meeting.

Condensed Income Statement

Item \ Year	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2015 (Note 2)
	2014	2013	2012			
Operating income	35,731,699	30,660,034	27,551,871			8,784,667
Gross Profit	14,392,664	12,585,631	10,808,221			3,590,779
Operating profit or loss	5,508,485	4,668,150	3,862,729			1,351,158
Non-Operating income and expense	546,621	500,396	374,372			129,213
Net income before tax	6,055,106	5,168,546	4,237,101			1,480,371
Net income of continuing operations	4,932,010	4,127,209	3,491,118			1,206,212
Net income	4,932,010	4,127,209	3,491,118			1,206,212
Other comprehensive profit and loss (net)	840,008	(14,730)	612,610			(325,714)
Total current comprehensive profit and loss	5,772,018	4,112,479	4,103,728			880,498
Net income attributable to parent company's shareholders	4,907,782	4,106,397	3,471,791			1,206,870
Net income attributable to non-controlling equity	24,228	20,812	19,327			(658)
Total comprehensive profit and loss attributable to parent company's shareholders	5,750,571	4,087,236	4,089,736			883,087
Total comprehensive profit and loss attributable to non-controlling equity	21,447	25,243	13,992			(2,589)
Earnings per share	7.80	6.59	5.66			1.91

Note 1: For the financial data with the IFRS adopted for less than five years, the financial data in Table (II) should be prepared in accordance with the Financial Accounting Standards of the R.O.C. The 2012~2014 financial data were audited by the CPA.

Note 2: The 2015Q1 financial data were audited by the CPA.

Condensed Income Statement - Proprietary

Year / Item	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2015
	2014	2013	2012			
Operating income	26,297,138	22,017,597	19,583,862			
Gross profit	7,029,911	6,037,706	4,974,191			
Operating profit or loss	3,315,823	2,829,684	2,240,566			
Non-Operating income and expense	2,333,849	1,992,814	1,717,341			
Net income before tax	5,649,672	4,822,498	3,957,907			
Net income	4,907,782	4,106,397	3,471,791			
Other comprehensive profit and loss (net)	842,789	(19,161)	617,945			
Total current comprehensive profit and loss	5,750,571	4,087,236	4,089,736			
Earnings per share	7.80	6.59	5.66			

Note 1: The 2012~2014 financial data were audited by the CPA.

(II) Condensed Balance Sheet and Income Statement – the R.O.C. Financial Accounting Standards

Condensed Balance Sheet – the R.O.C. Financial Accounting Standards

Unit: NT$ Thousand

Item \ Year		Financial Data within the last 5 years (Note 1) 2009	2010	2011	2012	Financial date up to
Current assets			4,955,770	6,160,810	7,021,442	
Fund and investment			9,904,688	10,577,926	11,379,305	
Fixed assets			2,376,408	3,930,102	3,977,661	
Other assets			104,652	80,084	95,630	
Total assets			17,341,518	20,748,922	22,474,038	
Current liabilities	Before distribution		3,085,747	3,570,764	3,706,183	
	After distribution		4,841,465	6,335,745	6,469,769	
Long-term liabilities			-	760,331	184,660	
Other liabilities			722,332	823,367	881,220	
Total liabilities	Before distribution		3,808,079	5,154,462	4,772,063	
	After distribution		5,563,797	7,919,443	7,535,649	
Capital stock			5,016,337	5,579,132	5,639,971	
Additional paid-in capital			4,392,850	4,017,699	4,758,762	
Retained earnings	Before distribution		4,817,166	6,542,934	7,240,340	
	After distribution		3,061,448	3,777,953	4,476,754	
Unrealized gains/losses on financial instruments			(403,782)	(648,592)	168,944	
Cumulative Translation Adjustment			(215,759)	105,408	(104,345)	
Net loss not recognized as pension cost			(2,121)	(2,121)	(1,697)	
Total shareholder's equity	Before distribution		13,533,439	15,594,460	17,701,975	
	After distribution		11,777,721	12,829,479	14,938,389	

Note 1: Financial data referred to above have been audited by the CPA.

Condensed Income Statement – the R.O.C. Financial Accounting Standards

Unit: NT$ Thousand,

Except for Earnings per Share in NT$

Year / Item	Financial Data within the last 5 years (Note 1)				Financial date up to
	2009	2010	2011	2012	
Operating income - net	10,757,924	16,377,929	18,619,755	19,583,862	
Gross profit	2,892,530	4,148,436	5,094,132	5,008,677	
Operating profit or loss	1,180,886	2,026,480	2,589,316	2,238,959	
Non-Operating Income and profit	762,617	1,535,094	1,647,393	1,817,353	
Non-Operating Expense and loss	3,106	217,736	191,306	107,809	
Net income before tax	1,940,397	3,343,838	4,045,403	3,948,503	
Net income	1,751,332	3,039,431	3,552,738	3,462,387	
Earnings per share	3.50	6.06	6.44	6.22	
Diluted earnings per share	3.47	6.03	6.43	6.15	
Diluted earnings per share after the retroactive adjustment	3.18	5.01	5.85	5.66	

Note 1: Financial data referred to above have been audited by the CPA.

(III) The name and opinion of the independent auditor within the last 5 year

Year	Name of CPA Firm	Name of CPAs (Certified Public Accountant)	Auditor's opinions
2014	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Chin Hsiang Chen	Modified Unqualified opinion
2013	Deloitte & Touche	CPA Jr Shian Ke / CPA Chin Hsiang Chen	Modified Unqualified opinion
2012	Deloitte & Touche	CPA Jr Shian Ke / CPA Chin Hsiang Chen	Modified Unqualified opinion
2011	Deloitte & Touche	CPA Jr Shian Ke / CAP Anhui Lin	Modified Unqualified opinion
2010	Deloitte & Touche	CPA Jr Shian Ke / CPA Anhui Lin	Modified Unqualified opinion

II. Financial Analysis within the last 5 years

(I) Financial Analysis - consolidated

Analysis item (Note 3) \ Year (Note 1)		Financial analysis within the last 5 years: 2014	2013	2012			As of March 31, 2015 (Note 2)
Finance structure (%)	Debt to assets ratio	28.55	29.47	26.47			27.49
	Long term funds to property, plant, and equipment ratio	266.88	254.37	291.29			268.99
Solvency(%)	Current ratio (%)	229.06	210.11	250.03			244.24
	Quick ratio (%)	161.64	150.66	173.58			175.47
	Interest coverage ratio	42,091.03	45,430.17	20,921.14			174,056.64
Operating ability	Receivables turnover (times)	6.34	6.31	6.87			6.15
	Accounts receivable collecting days	57.57	57.84	53.13			59.40
	Inventory turnover (times)	4.39	4.56	4.30			3.92
	Payables turnover (times)	6.67	6.78	8.29			6.39
	Average inventory turnover on sales	83.14	80.04	84.88			93.02
	Property, plant, and property turnover (times)	4.25	4.28	4.36			3.90
	Total asset turnover (times)	1.21	1.19	1.20			1.10
Profitability	Return on assets (%)	20.54	16.02	15.34			15.12
	Return on equity (%)	23.51	22.22	20.95			20.99
	Ratio of net income before tax to paid-in capital (%) (Note 7)	87.27	91.17	75.13			93.77
	Profit margin (%)	13.80	13.46	12.67			13.73
	Earnings Per Share (NT$)	7.80	6.59	5.66			1.91
Cash flow	Cash flow ratio (%)	62.53	68.98	79.93			17.84
	Cash Flow Adequacy Ratio (%)	89.33	95.40	95.50			89.33
	Cash Flow Re-investment Ratio (%)	8.31	11.93	9.33			22.92
Leverage	Operating leverage	3.70	3.58	3.95			3.71
	Financial leverage	1.00	1.00	1.01			1.00

Reasons for changes in financial ratios for the last two years (analysis is exempted for any change less than 20%):

Return on Assets: It is due to the growth of annual operating profit and the increase of net income.

Cash reinvestment ratio: It is due to the increase of annual capital expenditure and stock dividend distribution ratio.

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Operating Income to Paid-in Capital Ratio= Operating Income / Paid-in Capital

(4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(5) Net Margin = Net Income / Net Sales

(6) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

(I) Financial Analysis - Proprietary

Analysis item		2014	2013	2012			As of March 31, 2015 (104年03月31日)
Year		Financial analysis within the last 5 years					
Finance structure (%)	Debt to assets ratio	24.18	23.91	16.76			
	Long term funds to property, plant, and equipment ratio	437.73	434.69	466.10			
Solvency (%)	Current ratio (%)	155.85	149.89	187.98			
	Quick ratio (%)	131.44	123.13	146.65			
	Interest coverage ratio	1,342,064.85	174,323.19	33,488.79			
Operating ability	Receivables turnover (times)	5.82	5.76	5.66			
	Accounts receivable collecting days	62.7	63.37	64.49			
	Inventory turnover (times)	13.42	11.89	9.64			
	Payables turnover (times)	6.57	6.97	7.43			
	Average inventory turnover on sales	27.2	30.7	37.86			
	Property, plant, and property turnover (times)	5.28	5.13	4.97			
	Total asset turnover (times)	0.96	0.93	0.92			
Profitability	Return on assets (%)	17.92	17.29	16.30			
	Return on equity (%)	23.59	22.27	20.96			
	Ratio of net income before tax to paid-in capital (%) (Note 7)	89.51	85.06	70.18			
	Profit margin (%)	18.66	18.65	17.73			
	Earnings Per Share (NT$)	7.80	6.59	5.66			
Cash flow	Cash flow ratio (%)	61.81	82.13	70.46			
	Cash Flow Adequacy Ratio (%)	79.82	82.67	82.02			
	Cash Flow Re-investment Ratio (%)	3.22	8.18	-			
Leverage	Operating leverage	5.31	5.10	5.92			
	Financial leverage	1.00	1.00	1.01			

Please explain the reasons for the changes in financial ratios within the last two years (analysis is exempted for any change less than 20%):

1. The increase of interest coverage ratio is due to the growth of annual operating profit and the increase of net income.

2. The decrease of cash flow ratio and cash reinvestment ratio is due to the increase of capital expenditure and stock dividend distribution ratio.

(II) Financial analysis with the last five years – the R.O.C. Financial Accounting Standards

Year \ Analysis item		Financial analysis within the last 5 years (Note 2)				Financial data up to
		2009	2010	2011	2012	
Finance structure (%)	Debt to assets ratio		21.96	24.84	21.23	
	Long term funds to property, plant, and equipment ratio		569.49	416.14	449.68	
Solvency (%)	Current ratio		160.60	172.53	189.45	
	Quick ratio		117.53	127.19	150.95	
	Interest coverage ratio		1,633.73	28,277.22	-	
Operating ability	Receivables turnover (times)		6.82	6.25	5.66	
	Average accounts receivable turnover days		53.51	58.40	64.48	
	Inventory turnover (times)		11.35	9.24	9.62	
	Payables turnover (times)		7.50	7.33	7.41	
	Average inventory turnover on sale		32.15	39.50	37.94	
	Property, plant, and property turnover (times)		6.89	4.74	4.95	
	Total asset turnover (times)		0.94	0.90	0.87	
Profitability	Return on assets (%)		18.22	18.72	16.02	
	Return on shareholder's equity (%)		22.93	24.39	20.80	
	Percentage to paid-in capital (%) – Operating Income (losses)		40.24	46.41	39.70	
	Percentage to paid-in capital (%) – Net income before tax (losses)		66.66	72.51	70.01	
	Profit margin (%)		18.56	19.08	17.68	
	Earnings per share (NT$) (Note 1)		5.01	5.85	5.66	
	Diluted earnings per share (NT$)		6.03	6.43	6.15	
Cash flow (%)	Cash flow ratio (%)		72.60	83.77	79.73	
	Cash Flow Adequacy Ratio (%)		91.05	89.40	84.06	
	Cash Flow Re-investment Ratio (%)		1.90	7.84	1.08	
Leverage	Operating leverage		5.36	4.97	5.92	
	Financial leverage		1.00	1.01	1.01	

Note 1: Calculated in accordance with the annual weighted average shares.

Note 2: Financial data referred to above have been audited the CPA.

*Glossary

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = Net Income / Average Shareholders' Equity

(3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital

(4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(5) Net Margin = Net Income / Net Sales

(6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

III. Supervisor’s Report of the most recent year

Supervisor’s Review Report

The supervisors have reviewed the 2014 annual business reports, profit distribution proposals and individual financial statements and consolidated financial statements prepared and presented by the Company’s Board of Directors, and the independent auditor’s report issued by CPA Meng Chieh Chiu and CAP Chin Hsiang Chen of Deloitte & Touche with an independent auditor’s report issued.

The supervisor’s report is hereby issued in accordance with Article 219 of the Company Law after reviewing the annual business reports, financial statements, and profit distribution proposals without any nonconformity identified.

Sincerely yours,

The 2015 General Shareholders’ Meeting of Advantech Co., Ltd.

Supervisor: AIDC Investment Corp.
Representative: Gary Tseng

March 31, 2015

Supervisor's Review Report

The supervisors have reviewed the 2014 annual business reports, profit distribution proposals and individual financial statements and consolidated financial statements prepared and presented by the Company's Board of Directors, and the independent auditor's report issued by CPA Meng Chieh Chiu and CAP Chin Hsiang Chen of Deloitte & Touche with an independent auditor's report issued.

The supervisor's report is hereby issued in accordance with Article 219 of the Company Law after reviewing the annual business reports, financial statements, and profit distribution proposals without any nonconformity identified.

Sincerely yours,

The 2015 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: Thomas Chen

March 31, 2015

Supervisor’s Review Report

The supervisors have reviewed the 2014 annual business reports, profit distribution proposals and individual financial statements and consolidated financial statements prepared and presented by the Company’s Board of Directors, and the independent auditor’s report issued by CPA Meng Chieh Chiu and CAP Chin Hsiang Chen of Deloitte & Touche with an independent auditor’s report issued.

The supervisor’s report is hereby issued in accordance with Article 219 of the Company Law after reviewing the annual business reports, financial statements, and profit distribution proposals without any nonconformity identified.

Sincerely yours,

The 2015 General Shareholders’ Meeting of Advantech Co., Ltd.

Supervisor: James Wu

March 31, 2015

IV. Financial Statements of the most recent year

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

March 31, 2015

Notice to Readers

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

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

ADVANTECH CO., LTD.

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

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,049,397	4	$ 1,035,205	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	14,879	-	2,723	-
Available-for-sale financial assets - current (Notes 4, 8 and 26)	1,717,756	6	1,243,860	5
Notes receivable (Notes 4, 9 and 27)	45,319	-	31,766	-
Trade receivables (Notes 4 and 9)	993,742	3	844,825	3
Trade receivables from related parties (Notes 4 and 27)	4,014,411	14	3,105,061	12
Other receivables	86,064	-	86,288	-
Other receivables from related parties (Note 27)	15,641	-	151,088	1
Inventories (Notes 4 and 10)	1,404,202	5	1,277,072	5
Other current assets (Note 28)	70,298	-	136,208	1
Total current assets	9,411,709	32	7,914,096	31
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 26)	2,385,937	8	1,829,292	7
Investments accounted for using the equity method (Notes 4 and 11)	12,020,741	41	10,752,532	43
Property, plant and equipment (Notes 4 and 12)	5,354,959	18	4,608,115	18
Goodwill (Notes 4 and 13)	111,599	1	-	-
Other intangible assets (Note 4)	86,240	-	90,729	1
Deferred tax assets (Notes 4 and 19)	81,941	-	82,785	-
Prepayments for business facilities	14,972	-	7,354	-
Other noncurrent assets	11,024	-	25,975	-
Total noncurrent assets	20,067,413	68	17,396,782	69
TOTAL	$ 29,479,122	100	$ 25,310,878	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 26)	$ 8,698	-	$ 23,722	-
Trade payables	777,932	3	576,396	2
Trade payables to related parties (Note 27)	2,433,936	8	2,077,386	8
Other payables (Note 15)	2,070,485	7	1,855,568	8
Current tax liabilities (Notes 4 and 19)	650,399	2	601,952	3
Short-term warranty provision (Note 4)	36,119	-	33,413	-
Current portion of long-term borrowings and bonds payable (Notes 4, 14 and 26)	-	-	18,348	-
Other current liabilities	61,224	-	65,829	-
Total current liabilities	6,038,793	20	5,252,614	21
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	889,049	3	617,497	2
Accrued pension liabilities (Notes 4 and 16)	159,204	1	154,184	1
Credit balance of investments accounted for using the equity method (Notes 4 and 11)	7,286	-	1,053	-
Other noncurrent liabilities	33,726	-	27,231	-
Total noncurrent liabilities	1,089,265	4	799,965	3
Total liabilities	7,128,058	24	6,052,579	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE EQUITY				
Share capital				
Ordinary shares	6,301,031	22	5,669,249	22
Advance receipts for share capital	11,060	-	24,751	-
Total share capital	6,312,091	22	5,694,000	22
Capital surplus	5,306,958	18	4,995,635	20
Retained earnings				
Legal reserve	3,472,064	12	3,061,424	12
Unappropriated earnings	6,358,318	21	5,452,733	22
Total retained earnings	9,830,382	33	8,514,157	34
Other equity				
Exchange differences on translation of foreign financial statements	338,356	1	130,041	-
Unrealized gains (losses) on available-for-sale financial assets	563,277	2	(75,534)	-
Total other equity	901,633	3	54,507	-
Total equity	22,351,064	76	19,258,299	76
TOTAL	$ 29,479,122	100	$ 25,310,878	100

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

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

ADVANTECH CO., LTD.

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

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 27)				
Sales	$ 25,839,025	98	$ 21,581,636	98
Other operating revenue	458,113	2	435,961	2
Total operating revenue	26,297,138	100	22,017,597	100
OPERATING COSTS (Notes 10, 18 and 27)	19,267,227	73	15,979,891	72
GROSS PROFIT	7,029,911	27	6,037,706	28
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(240,811)	(1)	(246,869)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	246,869	1	256,306	1
REALIZED GROSS PROFIT	7,035,969	27	6,047,143	28
OPERATING EXPENSES (Notes 18 and 27)				
Selling and marketing expenses	634,611	2	524,228	3
General and administrative expenses	709,719	3	684,986	3
Research and development expenses	2,375,816	9	2,008,245	9
Total operating expenses	3,720,146	14	3,217,459	15
OPERATING PROFIT	3,315,823	13	2,829,684	13
NONOPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,493,406	6	1,267,757	6
Interest income (Notes 4 and 27)	20,510	-	4,862	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	59,702	-	(433)	-
Gains on disposal of investments (Notes 4 and 17)	43,163	-	69,180	-
Foreign exchange gains, net (Notes 4 and 18)	53,744	-	102,188	-
Gains on financial instruments at fair value through profit or loss (Note 4)	60,072	-	34,883	-
Dividend income (Note 4)	124,466	1	116,875	1
Other income (Notes 8 and 27)	528,395	2	477,126	2
Finance costs (Note 18)	(421)	-	(2,768)	-

(Continued)

ADVANTECH CO., LTD.

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

	2014		2013	
	Amount	**%**	**Amount**	**%**
Losses on financial instruments at fair value through profit or loss (Note 4)	$ (49,171)	-	$ (76,812)	-
Other losses	(17)	-	(44)	-
Total nonoperating income	2,333,849	9	1,992,814	9
PROFIT BEFORE INCOME TAX	5,649,672	22	4,822,498	22
INCOME TAX EXPENSE (Notes 4 and 19)	741,890	3	716,101	3
NET PROFIT FOR THE YEAR	4,907,782	19	4,106,397	19
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translation (Notes 4 and 17)	246,470	1	278,510	1
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 17)	659,064	2	(298,007)	(1)
Actuarial loss on defined benefit plan (Note 16)	(5,150)	-	(11,468)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4 and 17)	(15,803)	-	57,862	-
Income tax relating to the components of other comprehensive income (Notes 4, 17 and 19)	(41,792)	-	(46,058)	-
Other comprehensive income (loss) for the year, net of income tax	842,789	3	(19,161)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,750,571	22	$ 4,087,236	19
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	$ 7.80		$ 6.59	
Diluted	$ 7.77		$ 6.55	

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

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

ADVANTECH CO., LTD.

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

	Issued Capital (Notes 17 and 21)				Retained Earnings (Notes 4, 17 and 23)				Other Equity (Notes 4 and 17)		
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 4, 17 and 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2013	$ 5,639,971	$ -	$ 5,639,971	$ 4,701,785	$ 2,715,185	$ 545,303	$ 3,952,535	$ 7,213,023	$ (104,345)	$ 168,944	$ 17,619,378
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	-	(545,303)	545,303	-	-	-	-
Appropriation of the 2012 earrings											
Legal reserve	-	-	-	-	346,239	-	(346,239)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(2,763,586)	(2,763,586)	-	-	(2,763,586)
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	-	-	-	(32,608)	(32,608)	-	-	(32,608)
Changes in percentage of ownership interest in subsidiaries	-	-	-	2,552	-	-	-	-	-	-	2,552
Issue of ordinary shares for employee share options	15,590	15,910	31,500	123,274	-	-	-	-	-	-	154,774
Compensation cost recognized for employee share options	-	-	-	19,913	-	-	-	-	-	-	19,913
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	1,560	-	-	-	-	-	-	1,560
Convertible bonds converted to ordinary shares	13,688	8,841	22,529	146,551	-	-	-	-	-	-	169,080
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	4,106,397	4,106,397	-	-	4,106,397
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(9,069)	(9,069)	234,386	(244,478)	(19,161)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	4,097,328	4,097,328	234,386	(244,478)	4,087,236
BALANCE AT DECEMBER 31, 2013	5,669,249	24,751	5,694,000	4,995,635	3,061,424	-	5,452,733	8,514,157	130,041	(75,534)	19,258,299
Appropriation of the 2013 earrings											
Legal reserve	-	-	-	-	410,640	-	(410,640)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(3,017,820)	(3,017,820)	-	-	(3,017,820)
Share dividends distributed by the Company	569,400	-	569,400	-	-	-	(569,400)	(569,400)	-	-	-
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	11,457	-	-	-	-	-	-	11,457
Changes in percentage of ownership interest in subsidiaries	-	-	-	(1,873)	-	-	-	-	-	-	(1,873)
Issue of ordinary shares for employee share options	51,410	(4,850)	46,560	167,525	-	-	-	-	-	-	214,085
Compensation cost recognized for employee share options	-	-	-	111,393	-	-	-	-	-	-	111,393
Convertible bonds converted to ordinary shares	10,972	(8,841)	2,131	13,855	-	-	-	-	-	-	15,986
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	8,966	-	-	-	-	-	-	8,966
Net profit for the year ended December 31, 2014	-	-	-	-	-	-	4,907,782	4,907,782	-	-	4,907,782
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	(4,337)	(4,337)	208,315	638,811	842,789
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	4,903,445	4,903,445	208,315	638,811	5,750,571
BALANCE AT DECEMBER 31, 2014	$ 6,301,031	$ 11,060	$ 6,312,091	$ 5,306,958	$ 3,472,064	$ -	$ 6,358,318	$ 9,830,382	$ 338,356	$ 563,277	$ 22,351,064

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

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

ADVANTECH CO., LTD.

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 5,649,672	$ 4,822,498
Adjustments for:		
Depreciation expenses	202,173	170,842
Amortization expenses	61,530	69,640
Recognition of trade receivables provisions	8,703	9,374
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(10,901)	41,929
Finance costs	421	2,768
Interest income	(20,510)	(4,862)
Dividend income	(124,466)	(116,875)
Compensation cost of employee share options	111,393	19,913
Share of profit of subsidiaries and associates accounted for using the equity method	(1,493,406)	(1,267,757)
Loss (gain) on disposal of property, plant and equipment	(59,702)	433
Gain on disposal of investments	(43,163)	(69,180)
Loss on bond redemption	17	-
Realized gain on the transactions with subsidiaries and associates	(6,058)	(9,437)
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(16,279)	(13,671)
Decrease (increase) in notes receivable	(10,454)	54,419
Increase in trade receivables	(132,090)	(1,121)
Increase in trade receivables - related parties	(909,350)	(315,746)
Decrease (increase) in other receivables	45,967	(24,139)
Decrease (increase) in other receivable due from related parties	135,447	(134,982)
Decrease (increase) in inventories	(127,130)	134,372
Decrease (increase) in other current assets	55,529	(8,924)
Increase in trade payables	201,512	75,181
Increase in trade payables to related parties	333,229	650,115
Increase in other payables	201,004	538,577
Decrease in accrued pension liabilities	(2,041)	(4,159)
Decrease in other current liabilities	(5,225)	(11,307)
Increase in other noncurrent liabilities	6,126	6,678
Cash generated from operations	4,051,948	4,614,579
Interest received	20,448	4,089
Dividend received	124,466	116,875
Income tax paid	(464,022)	(399,091)
Net cash generated from operating activities	3,732,840	4,336,452
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(3,423,628)	(4,262,176)
Proceeds on sale of available-for-sale financial assets	3,284,544	3,852,092
Acquisition of investments accounted for using equity method	(149,643)	-

(Continued)

ADVANTECH CO., LTD.

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

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

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

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

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

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

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

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

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

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

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

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

3) IFRS 13 “Fair Value Measurement”

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

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

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

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

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

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

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence accelerate the recognition of past service costs.

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

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

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

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

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

7) Annual Improvements to IFRSs: 2009-2011 Cycle

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

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

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

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

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28"'Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016

(Continued)

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

(Concluded)

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

The impairment of financial assets

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

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

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

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

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

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

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

6) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

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

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

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

8) Annual Improvements to IFRSs: 2012-2014 Cycle

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

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

9) Amendment to IAS 1 "Disclosure Initiative"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Business combinations

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

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

e. Foreign currencies

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

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

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

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

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

f. Inventories

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

g. Investments accounted for using the equity method

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

1) Investment in subsidiaries

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

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

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

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

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

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

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

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

2) Investment in associates

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

Freehold land is not depreciated.

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

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

i. Goodwill

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 26. Financial liabilities at fair value through profit or loss are subsequently measured at fair value, and the difference between the carrying amount and the fair value is recognized in profit or loss.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

m. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

n. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

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

3) Royalties

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

4) Dividend and interest income

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

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

o. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

p. Retirement benefit costs

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

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

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

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

q. Employee share options

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Estimated impairment of trade receivables

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

c. Write-down of inventory

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

d. Impairment of investment in the associate

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

6. CASH AND CASH EQUIVALENTS

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	2013
Financial assets at held for trading - current		
Forward exchange contracts	$ 14,879	$ 2,723
Financial liabilities held for trading - current		
Forward exchange contracts	$ 8,698	$ 23,722

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2014			
Sell	EUR/NTD	2015.01-2015.04	EUR10,500/NTD415,900
	EUR/USD	2015.01-2015.04	EUR1,000/USD1,263
	USD/NTD	2015.01-2015.04	USD1,263/NTD38,634
	JPY/NTD	2015.01-2015.03	JPY70,000/NTD20,011
	RMB/NTD	2015.01-2015.05	RMB65,000/NTD322,421
December 31, 2013			
Sell	EUR/NTD	2014.01-2014.07	EUR14,000/NTD557,094
	EUR/USD	2014.01-2014.04	EUR2,000/USD2,681
	USD/NTD	2014.01-2014.04	USD20,181/NTD595,802
	JPY/NTD	2014.01-2014.04	JPY170,000/NTD50,830

The Company entered into forward exchange contracts during the years ended December 31, 2014 and 2013 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

a. Trade receivables

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

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

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

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

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

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

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

10. INVENTORIES

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

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

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

a. Investments in subsidiaries

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

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

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

(Continued)

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

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

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

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

b. Investments in associates

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

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

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

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

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

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

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

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

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

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

12. PROPERTY, PLANT, AND EQUIPMENT

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

(Continued)

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

(Concluded)

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

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

13. GOODWILL

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

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

14. BONDS PAYABLE

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

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

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

15. OTHER LIABILITIES

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

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

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

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 2,556	$ 2,716
Interest cost	5,233	4,280
Expected return on plan assets	(2,573)	(2,281)
Effects of the Company's merger with a subsidiary	277	-
	$ 5,493	$ 4,715
An analysis by function		
Operating cost	$ 1,082	$ 1,015
Marketing expenses	776	647
Administration expenses	1,209	743
Research and development expenses	2,003	1,911
	$ 5,070	$ 4,316

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

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

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

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

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

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

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

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

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

	December 31	
	2014	2013
Cash	19.12	22.86
Short-term transactions instruments	1.98	4.10
Debt instruments	11.92	9.37
Fixed-income investments	14.46	18.11
Equity instruments	49.69	44.77
Others	2.83	0.79
	100.00	100.00

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs.

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

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

17. EQUITY

a. Share capital

Ordinary shares

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

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

b. Capital surplus

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

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

For the years ended December 31, 2014 and 2013, the bonuses to employees and remunerations to directors and supervisors were $138,000 thousand and $82,000 thousand (included in other payables), respectively. These amounts were estimated and accrued on the basis of past experience. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimates. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of at the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refers to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

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

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

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

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

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

	Cash Dividends For the Year Ended December 31	
	2013	2012
Bonus to employees	$ 70,000	$ 60,000
Remuneration to directors and supervisors	12,000	12,000

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

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

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

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

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

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

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

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

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

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

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ (75,534)	$ 168,944
Unrealized gain (loss) on revaluation of available-for-sale financial assets	702,227	(228,827)
Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets	(43,163)	(69,180)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	(20,253)	53,529
Balance at December 31	$ 563,277	$ (75,534)

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

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

b. Depreciation and amortization

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

c. Employee benefits expense

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

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

d. Gain or loss on foreign currency exchange

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

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

19. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	$ 500,117	$ 536,604
Adjustments for prior periods	1,498	37,690
Income tax on unappropriated earnings	10,854	89,787
	512,469	664,081
Deferred tax		
In respect of the current year	229,421	52,020
Income tax expense recognized in profit or loss	$ 741,890	$ 716,101

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

	For the Year Ended December 31	
	2014	2013
Profit before tax from continuing operations	$ 5,649,672	$ 4,822,498
Income tax expense calculated at the statutory rate	$ 960,444	$ 819,825
Nondeductible expenses in determining taxable income	114	-
Tax-exempt income	(219,331)	(169,581)
Unrecognized unappropriated earnings of subsidiaries	(11,689)	(61,620)
Income tax on unappropriated earnings	10,854	89,787
Adjustments for prior years' tax	1,498	37,690
Income tax expense recognized in profit or loss	$ 741,890	$ 716,101

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

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

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisitions Through Business Combinations	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 43,572	$ (1,604)	$ -	$ -	$ 41,968
Unrealized loss of inventory write-down	26,076	(9,376)	-	-	16,700
Exchange difference on foreign operations	21,372	-	(21,372)	-	-
Defined benefit obligation	17,195	(707)	-	-	16,488
Unrealized exchange losses (gain)	(7,168)	7,168	-	-	-
Unrealized warranty liabilities	5,920	(240)	-	-	5,680
Actuarial losses on defined benefit plans	-	-	1,949	-	1,949
	$ 106,967	$ (4,759)	$ (19,423)	$ -	$ 82,785
Deferred tax liabilities					
Temporary differences					
Unappropriated earnings of subsidiaries	$ 541,520	$ 46,690	$ -	$ -	$ 588,210
Exchange difference on foreign operations	-	-	26,635	-	26,635
Actuarial gains (losses) on defined benefit plan	2,081	-	-	-	2,081
Unrealized exchange gain	-	571	-	-	571
	$ 543,601	$ 47,261	$ 26,635	$ -	$ 617,497

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

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

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

	Expansion of Construction Project	Tax-exemption Period
The Company	Investments in production of intelligent integrated commodities	2011-2015

g. Integrated income tax

	December 31	
	2014	2013
Unappropriated earnings		
Generated on and after January 1, 1998	$ 6,358,318	$ 5,452,733
Imputation credits accounts	$ 271,571	$ 521,664

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

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

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

h. Income tax assessments

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

20. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

	Before Adjusted Retrospectively	
	For the Year Ended December 31	
	2013	2012
Basic earnings per share	$ 7.26	$ 6.59
Diluted earnings per share	$ 7.20	$ 6.55

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

Net Profit for the Year

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

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

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

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

21. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

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

The weighted-average share prices on the exercise of share options ranged from NT$189 to NT$280.5 in 2014 and from NT$122.5 to NT$206.5 in 2013.

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

	For the Year Ended December 31			
	2014		2013	
Employee Share Options	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**
Issuance in 2014	$100.00	5.36	$ -	$ -
Issuance in 2010	48.30	0.53	54.20	1.53
Issuance in 2009	-	-	46.70	0.92

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

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

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

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

22. BUSINESS COMBINATIONS

Subsidiaries Acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
ALTC	Production and sale of machine control solution	August 30, 2013	99.97	$ 729,787
AdvanPOS	Production and sale of POS system	July 31, 2013	70.19	$ 319,461

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

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

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

23. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

a. In November 2013, the Company acquired an additional 0.03% equity in ALTC, increasing its interest to 100%. In the first quarter of 2014, the Company sold 10.27% of its holding of ALTC shares to ALTC's employees; in the second and third quarters of 2014, the Company bought 0.14% and 0.06%, respectively, of ALTC's outstanding shares. These share transactions reduced its continuing interest from 100% to 89.93%.

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

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

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

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

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

24. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

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

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

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

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

25. CAPITAL MANAGEMENT

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

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

The Company is not subject to any externally imposed capital requirements. Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

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

2) Fair value measurements recognized in the balance sheets

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

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

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

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

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 14,879	$ -	$ 14,879

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,385,937	$ -	$ -	$ 2,385,937
Mutual funds	1,717,756	-	-	1,717,756
	$ 4,103,693	$ -	$ -	$ 4,103,693
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 8,698	$ -	$ 8,698

(Concluded)

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,723	$ -	$ 2,723
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,829,292	$ -	$ -	$ 1,829,292
Mutual funds	1,243,860	-	-	1,243,860
	$ 3,073,152	$ -	$ -	$ 3,073,152
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 23,722	$ -	$ 23,722

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

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

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

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

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

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

b. Categories of financial instruments

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

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

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 30 and 7, respectively.

Sensitivity analysis

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

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

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

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

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

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

b) Interest rate risk

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

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

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

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

Sensitivity analysis

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

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

c) Other price risk

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

Sensitivity analysis

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

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

2) Credit risk

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

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

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

3) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2014 and 2013, the Company had available unutilized short-term bank loan facilities set out in (c) below.

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

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

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

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

December 31, 2014

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

December 31, 2013

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

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

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

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

December 31, 2014

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

December 31, 2013

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

c) Financing facilities

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

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

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

b. Purchases of goods

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

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

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

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

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

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

The outstanding trade payables from related parties are unsecured.

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

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

f. Property, plant and equipment acquired

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

g. Property, plant and equipment acquired

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

h. Loans to related parties

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

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

i. Other transactions with related parties

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

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

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

j. Compensation of key management personnel

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

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Significant commitments

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

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

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

December 31, 2014

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

December 31, 2013

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

(Continued)

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

(Concluded)

31. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

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

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

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

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

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

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

9) Transactions of financial instruments. (Notes 7 and 26)

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

c. Information on investments in mainland China

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

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

ADVANTECH CO., LTD. AND INVESTEES

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

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

Note A: Investee companies are numbered sequentially from 1.

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

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

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

TABLE 2

ADVANTECH CO., LTD. AND INVESTEES

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

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

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

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

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,239,461	$ 1,815,473	0.71	$ 1,815,473	Notes A and C
	Pegatron Corp.	-	〃	7,814,570	570,464	0.33	570,464	Notes A and D
	Fund							
	Mega Diamond Money Market	-	Available for sale financial assets - current	76,853,657.47	945,784	-	945,784	Note B
	Capital Money Market	-	〃	35,357,851.10	560,419	-	560,419	Note B
	Eastspring Investment Well Pool Fund	-	〃	15,830,783.10	211,553	-	211,553	Note B
Advantech Corporate Investment	Stock							
	Sercomm Corp.	-	Financial assets at fair value through profit or loss - current	117,000	8,365	0.05	8,365	Note A
	Allied Circuit Co., Ltd.	-	〃	2,800,000	111,160	5.44	111,160	Note A
	NXP Semiconductors N.V.	-	〃	4,000	9,672	-	9,672	Note A
	InvenSense, Inc.	-	〃	18,389	9,464	0.02	9,464	Note A
	Freescale Semiconductor, Ltd.	-	〃	7,199	5,749	-	5,749	Note A
	Honeywell International Inc.	-	〃	1,933	6,113	-	6,113	Note A
	COBAN Research and Technologies, Inc.	-	Available for sale financial assets - noncurrent	600,000	33,257	6.85	33,257	-
	BroadTec System Inc.	-	〃	150,000	1,500	10.00	1,500	-
	BiosenseTek Corp.	-	〃	37,500	375	1.79	375	-
	Jaguar Technology	-	〃	500,000	7,500	2.00	7,500	-
	Taiwan Hon Chuan Enterprise Co., Ltd.	-	Available for sale financial assets - current	2,385,000	133,083	0.92	133,083	Note A
	Fund							
	Eastspring Investment Well Pool Fund	-	〃	14,153,933.40	189,144	-	189,144	Note B
	Taishin 1699 Money Market	-	〃	436,025.39	5,793	-	5,793	Note B
Advansus Corp.	Fund							
	Jih Sun Money Market	-	〃	7,656,351.22	111,322	-	111,322	Note B
Cermate Technologies Inc.	Fund							
	Eastspring Investment Well Pool Fund	-	〃	2,237,515.80	29,901	-	29,901	Note B

(Continued)

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

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

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

Note C: The amount included $1,437,975 thousand, the carrying value of 4,150,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

Note D: The amount included $354,050 thousand, the carrying value of 4,850,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEES

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

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

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

(Continued)

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

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

Note B: Unrealized loss for the year was $11,019 thousand.

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

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

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

Note A: Transactions involved financing activities.

ADVANTECH CO., LTD. AND INVESTEES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	$ 1,000,207	$ 993,108	29,623,834	100.00	$ 3,445,935	$ 343,368	$ 337,799	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	3,513,745	172,715	174,092	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	761,954	315,769	315,315	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	900,000	900,000	100,000,000	100.00	988,173	87,674	89,640	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	26.30	420,063	370,563	97,592	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	341,995	319,461	13,905,182	69.47	319,139	(17,239)	(11,348)	Subsidiary
	ALTC	Taichung, Taiwan	Production and sale of machine control solution	478,825	530,000	26,980,000	89.93	511,128	28,662	25,761	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	9,842	8,235	1,392	Equity-method investee (Note B)
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	781	(1,369)	(20)	Subsidiary (Note C)
	AEUH	Helmond, The Netherlands	Investment and management service	1,262,051	1,146,489	12,572,024	100.00	959,009	73,892	73,569	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	96,662	13,842	13,842	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	44,556	(7,955)	(7,955)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	145,000	15,187	15,187	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	35,428	4,286	4,286	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	234,924	56,856	56,856	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	39,616	1,794,996	80.00	60,238	25,367	20,294	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of industrial automation products	146,440	146,440	8,000,000	100.00	474,164	288,878	291,913	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	(7,286)	(4,809)	(4,809)	Subsidiary
Advantech Corporate Investment	Netstar	Taipei, Taiwan	Production and sale of industrial automation products	-	291,196	-	-	-	48,274	48,274	Subsidiary (Note B)
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	142,063	142,063	10,000,000	100.00	172,155	(10,911)	(10,911)	Subsidiary
	Cermate Technologies Inc.	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	115,203	31,095	17,102	Subsidiary
	Deneng Scientific Research Co., Ltd.	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	-	658,000	39.69	17,758	687	274	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	2,531,790	176,298	176,298	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,871,391	146,120	146,120	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,701,532	197,346	197,346	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	316,403	8,314,280	100.00	904,500	70,484	70,484	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	46,167	3,345	3,345	Subsidiary
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	584,930	54,581	27,308	Subsidiary
	GPEG	London, UK	Design, R&D and sale of gaming computer products	-	278,641	-	-	-	(25,602)	(25,602)	Subsidiary (Note E)
GPEG	GPEG K&M Ltd.	Korea	Design, R&D and sale of gaming computer products	-	8,175	-	-	-	-	-	Equity-method investee (Note D)
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	15,334	8,731	4,453	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	1,994	797	797	Subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	60,425	14,786	13,982	Subsidiary
ALTC	Better Auto	BVI	General investment	264,445	264,445	8,556,096	100.00	152,495	(16,498)	(15,724)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	112,453	(82,616)	(82,616)	Subsidiary
AdvanPOS	Bright Mind Limited	Samoa	General investment	US$ 200	US$ 200	200	100.00	378	(163)	(163)	Subsidiary

(Continued)

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

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

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

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

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Note 31 of the financial statements and Tables 1, 5 and 6.

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

(Continued)

Note D: Remittance by ACN.

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

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

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

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

(Concluded)

V.The consolidated financial statements of the parent and subsidiary audited by the CPA in the most recent year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

ADVANTECH CO., LTD.

By

K. C. Liu
Chairman

March 31, 2015

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

March 31, 2015

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

1. GENERAL INFORMATION

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

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

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

1) IFRS 10 "Consolidated Financial Statements"

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

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

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

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

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

4) IFRS 13 “Fair Value Measurement”

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

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

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

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

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

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

6) Revision to IAS 19 “Employee Benefits”

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

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

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

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

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

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

8) Annual Improvements to IFRSs: 2009-2011 Cycle

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

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

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

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

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

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

(Continued)

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

(Concluded)

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

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

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

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

The impairment of financial assets

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

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

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

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

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

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

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

6) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

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

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

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

8) Annual Improvements to IFRSs: 2012-2014 Cycle

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

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

9) Amendment to IAS 1 “Disclosure Initiative”

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

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

Attribution of total comprehensive income to noncontrolling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

2) Subsidiaries included in consolidated financial statements

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

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

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

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

e. Business combinations

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

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

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

f. Foreign currencies

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

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

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

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

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

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

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

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

g. Inventories

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

h. Investment in associates

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

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

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

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

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

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

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

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

i. Property, plant, and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

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

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

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

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

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

n. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

o. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Rendering of services

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

3) Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

q. Retirement benefit costs

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

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

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

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

r. Employee share options

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

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

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Estimated impairment of trade receivables

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

c. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2014			
Sell	USD/NTD	2015.01-2015.04	USD1,263/NTD38,634
	EUR/USD	2015.01-2015.04	EUR1,000/USD1,263
	EUR/NTD	2015.01-2015.04	EUR10,500/NTD415,900
	JPY/NTD	2015.01-2015.03	JPY70,000/NTD20,011
	RMB/NTD	2015.01-2015.05	RMB65,000/NTD322,421
December 31, 2013			
Sell	EUR/NTD	2014.01-2014.07	EUR14,000/NTD557,094
	EUR/USD	2014.01-2014.04	EUR2,000/USD2,681
	USD/NTD	2014.01-2014.04	USD20,181/NTD595,802
	JPY/NTD	2014.01-2014.04	JPY170,000/NTD50,830

The Company entered into forward exchange contracts during the years ended December 31, 2014 and 2013 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities.

The Company's financial hedging strategy is to minimize risks due to market price fluctuations and cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

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

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

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

a. Trade receivables

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

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

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

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

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

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

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

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

11. INVENTORIES

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

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

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

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

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

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

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

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

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

14. GOODWILL

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

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

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

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

15. PREPAYMENTS FOR LEASE OBLIGATION

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

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

16. BORROWINGS

Short-term Borrowings

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

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

17. BONDS PAYABLE

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

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

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

18. OTHER LIABILITIES

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

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

b. Defined benefit plans

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

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

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

	December 31	
	2014	**2013**
Discount rates	1.875-2.000%	1.875-2.000%
Expected rates of salary increase	3.000-3.250%	2.250-3.250%
Expected return on plan assets	2.000%	2.000%

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

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

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

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

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

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

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

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

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

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

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

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

	December 31	
	2014	2013
Cash	19.12	22.86
Short-term transactions instruments	1.98	4.10
Debt instruments	11.92	9.37
Fixed-income investments	14.46	18.11
Equity instruments	49.69	44.77
Others	2.83	0.79
	100.00	100.00

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012).

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

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

20. EQUITY

a. Share capital

Ordinary shares

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

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

b. Capital surplus

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

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

For the years ended December 31, 2014 and 2013, the bonuses to employees and remunerations to directors and supervisors were $138,000 thousand and $82,000 thousand (included in other payables), respectively. These amounts were estimated and accrued on the basis of past experience. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimates. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of at the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refers to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

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

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

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

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

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

	Cash Dividends	
	For the Year Ended December 31	
	2013	2012
Bonus to employees	$ 70,000	$ 60,000
Remuneration to directors and supervisors	12,000	12,000

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

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

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

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

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

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

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

d. Other equity items

1) Exchange difference arising on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 130,041	$ (104,345)
Exchange differences on translating the net assets of foreign operations	246,470	272,860
Gain on disposal of foreign operations reclassified to profit or loss	-	5,650
Income tax relating to gains arising on translating the net assets of foreign operations	(42,667)	(48,007)
Share of exchange difference of associates accounted for using the equity method	4,512	3,883
Balance at December 31	$ 338,356	$ 130,041

2) Unrealized gain or loss from available-for-sale financial assets

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ (75,534)	$ 168,944
Unrealized gain (loss) on revaluation of available-for-sale financial assets	681,974	(175,298)
Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets	(43,163)	(69,180)
Balance at December 31	$ 563,277	$ (75,534)

e. Noncontrolling interests

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 161,891	$ 107,891
Attributable to noncontrolling interests:		
Share of profit for the year	24,228	20,812
Exchange difference on translation of foreign entities	(2,566)	4,431
Actuarial losses on defined benefit plans	(258)	-
Income tax related to actuarial gains and losses	43	-
Acquisition of noncontrolling interests in subsidiaries (Note 25)	-	44,487
Acquisition of noncontrolling interests in subsidiaries through merger (Note 27)	(24,659)	(15,730)
Disposal of noncontrolling interests in subsidiaries (Note 27)	28,321	-
Balance at December 31	$ 187,000	$ 161,891

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31 2014	2013
Interest on bank loans	$ 6,031	$ 8,634
Interest on convertible bonds	21	2,768
Others	8,368	-
	$ 14,420	$ 11,402

b. Depreciation and amortization

	For the Year Ended December 31 2014	2013
Property, plant and equipment	$ 504,211	$ 372,641
Intangible assets	90,709	108,780
Prepayments for lease obligation	2,519	2,467
	$ 597,439	$ 483,888
An analysis of depreciation by function		
Operating costs	$ 125,109	$ 113,592
Operating expenses	379,102	259,049
	$ 504,211	$ 372,641
An analysis of amortization by function		
Operating costs	$ 3,004	$ 4,525
Operating expenses	90,224	106,722
	$ 93,228	$ 111,247

c. Employee benefit expense

	For the Year Ended December 31 2014	2013
Post-employment benefits		
Defined contribution plans	$ 244,045	$ 204,972
Defined benefit plans (Note 19)	5,508	5,407
	249,553	210,379
Other employee benefits	7,417,145	6,403,981
Total employee benefit expense	$ 7,666,698	$ 6,614,360
An analysis of employee benefits expense by function		
Operating costs	$ 1,700,981	$ 1,413,011
Operating expenses	5,965,717	5,201,349
	$ 7,666,698	$ 6,614,360

d. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2014	2013
Foreign exchange gains	$ 747,219	$ 551,284
Foreign exchange losses	(669,013)	(406,602)
Net gains	$ 78,206	$ 144,682

22. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of current period	$ 834,700	$ 865,922
Income tax for unappropriated earnings	11,219	89,810
In respect of prior periods	62,934	37,094
	908,853	992,826
Deferred tax		
In respect of current period	214,243	48,511
Income tax expense recognized in profit or loss	$ 1,123,096	$ 1,041,337

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2014	2013
Profit before tax from continuing operations	$ 6,055,106	$ 5,168,546
Income tax expense calculated at the statutory rate	$ 1,317,740	$ 1,186,411
Nondeductible expenses in determining taxable income	3,119	611
Tax-exempt income	(220,305)	(178,105)
Income tax on unappropriated earnings	11,219	89,810
Investment credits in the current year	(218)	(9,699)
Loss carryforwards in the current year	(40,641)	(27,101)
Unrecognized unappropriated earnings of subsidiaries	(11,692)	(61,620)
Adjustments for prior years' tax	62,934	37,094
Others	940	3,936
Income tax expense recognized in profit or loss	$ 1,123,096	$ 1,041,337

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%, except for subsidiaries qualified for 15% preferential tax rate for Hi-Tech Industries. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2014 appropriations of earnings is uncertain, the potential income tax consequences of 10% income tax rate of 2014 unappropriated earnings are not readily determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
Deferred tax		
In respect of current period		
Translation of foreign operations	$ (42,667)	$ (48,007)
Actuarial gains and losses on defined benefit plan	972	1,760
	$ (41,695)	$ (46,247)

c. Current tax assets and liabilities

	December 31	
	2014	2013
Current tax liabilities		
Income tax payable	$ 787,404	$ 695,945

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition through Business Combinations	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 41,968	$ (1,030)	$ -	$ -	$ 40,938
Unrealized loss of inventory write-down	21,488	24,679	-	-	46,167
Loss carryforwards	12,865	(12,865)	-	-	-
Defined benefit obligation	16,823	(143)	-	-	16,680
Unrealized warranty liabilities	7,014	16,526	-	-	23,540
Actuarial gains on defined benefit plans	1,949	-	875	127	2,951
Unrealized exchange losses (gains)	1,339	(1,275)	-	-	64
Doubtful debts in excess of allowable limit	-	2,839	-	-	2,839
Others	40,601	(12,512)	-	-	28,089
	$ 144,047	$ 16,219	$ 875	$ 127	$ 161,268
Deferred tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 588,210	$ 224,399	$ -	$ -	$ 812,609
Exchange difference on foreign operations	26,635	-	42,667	-	69,302
Actuarial gains on defined benefit plans	3,644	(1,211)	(97)	1,310	3,646
Unrealized exchange gains	1,299	9,792	-	-	11,091
Others	3,810	(2,518)	-	-	1,292
	$ 623,598	$ 230,462	$ 42,570	$ 1,310	$ 897,940

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition through Business Combinations	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized gross profit	$ 43,572	$ (1,604)	$ -	$ -	$ 41,968
Unrealized loss of inventory write-down	34,710	(13,222)	-	-	21,488
Loss carryforwards	13,081	(216)	-	-	12,865
Defined benefit obligation	17,302	(479)	-	-	16,823
Unrealized warranty liabilities	11,999	(4,985)	-	-	7,014
Actuarial gains on defined benefit plans	-	-	1,949	-	1,949
Unrealized exchange losses (gains)	(7,759)	9,098	-	-	1,339
Exchange difference on foreign operations	21,372	-	(21,372)	-	-
Doubtful debts in excess of allowable limit	9,103	(9,103)	-	-	-
Others	24,006	16,595	-	-	40,601
	$ 167,386	$ (3,916)	$ (19,423)	$ -	$ 144,047
Deferred tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 541,719	$ 46,491	$ -	$ -	$ 588,210
Exchange difference on foreign operations	-	-	26,635	-	26,635
Actuarial gains on defined benefit plans	3,455	-	189	-	3,644
Unrealized exchange losses (gains)	391	908	-	-	1,299
Others	6,614	(2,804)	-	-	3,810
	$ 552,179	$ 44,595	$ 26,824	$ -	$ 623,598

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2014	2013
Loss carryforwards		
2014	$ -	$ 35,300
2017	24,371	50,623
2018	37,282	166,112
2019	29,410	133,201
2020	-	92,370
2021	16,487	52,201
2022	13,126	38,134
	$ 120,676	$ 567,941
Deductible temporary differences		
Accumulative losses of subsidiaries	$ 20,742	$ 1,315

f. Information about unused loss carryforwards and tax-exemption

As of December 31, 2014, loss carryforwards comprised of:

	Remaining Creditable Amount		
Losses Occurred	**Advantech Corporate Investment**	**AdvanPOS Technology Co., Ltd.**	**Expiry Year**
2007	$ 20,771	$ 3,600	2017
2008	-	37,282	2018
2009	-	29,410	2019
2011	-	16,487	2021
2012	-	13,126	2022
	$ 20,771	$ 99,905	

As of December 31, 2014, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Company Name	Expansion of Construction Project	Tax-Exemption Period
The Company	Investments in production of intelligent-integrated commodities	2011-2015

g. Integrated income tax

	December 31	
	2014	**2013**
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	$ 6,358,318	$ 5,452,733
Imputation credits accounts	$ 271,571	$ 523,985

The creditable ratios for the distribution of the earnings of 2014 and 2013 were 13.42% and 9.57%, respectively.

Under the Income Tax Law, for the distribution of earnings generated after January 1, 1998, the imputation credits allocable to ROC resident shareholders of the Company are calculated on the basis of the creditable ratio as of the date of dividend distribution.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

h. Income tax assessments

The Company's tax returns through 2008 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2008 tax return and applied for a reexamination. Nevertheless, to be conservative, the Company provided for the income tax assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2014	2013
Basic earnings per share	$ 7.80	$ 6.59
Diluted earnings per share	$ 7.77	$ 6.55

The earnings per share computation were retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on September 7, 2014. The basic and diluted after-tax earnings per share adjusted retrospectively were as follows:

	For the Year Ended December 31, 2013	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 7.26	$ 6.59
Diluted earnings per share	$ 7.20	$ 6.55

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2014	2013
Earnings used in the computation of basic earnings per share	$ 4,907,782	$ 4,106,397
Effect of dilutive potential ordinary shares:		
Convertible bonds	21	2,768
Employee share options	-	16,528
Earnings used in the computation of diluted earnings per share	$ 4,907,803	$ 4,125,693

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2014	2013
Weighted average number of ordinary shares in computation of basic earnings per share	628,853	622,806
Effect of dilutive potential ordinary shares:		
Convertible bonds	18	1,750
Employee share options	2,367	5,106
Bonuses issued to employees	336	339
Weighted average number of ordinary shares used in the computation of diluted earnings per share	631,574	630,001

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumes that the entire amount of the bonus would be settled in shares, and the resulting potential shares will be included in the weighted average number of outstanding shares used in the computation of diluted earnings per share, if the effect is dilutive. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 5,000 options in August 2014; 3,000 options in July 2010; and 10,000 options in December 2009. Each option entitles the holder to subscribe for one thousand common shares of the Company. The holders of these shares include employees whom meet certain criteria set by the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued on August 2014, July 2010, and December 2009 are valid for six, five and five years, respectively. All are exercisable at certain percentages after the second anniversary year from the grant date. Options granted in 2009 and 2010 had an exercise price equal to the closing price of the Company's common shares listed on the grant date, and the exercise price of those granted in 2014 was NT$100 per share. For any subsequent changes in the Company's paid-in capital, the exercise price and the number of options will be adjusted accordingly.

Information on employee share options as of December 31, 2014 and 2013 is as follows:

	For the Year Ended December 31			
	2014		2013	
Employee Share Options	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	5,300	$ 48.80	8,450	$ 50.46
Options granted	5,000	100.00	-	-
Options exercised	(4,656)	45.98	(3,150)	49.13
Balance at December 31	5,644	94.10	5,300	48.80
Options exercisable, end of the year	644	48.30	5,300	48.80
Weighted-average fair value of options granted (NT$)	$145.77-$150.16		$ -	

The weighted-average fair values of employee share options exercised on the exercise date were from NT$189 to NT$280.5 in 2014 and from NT$122.5 to NT$206.5 in 2013.

Information on outstanding options for the years ended December 31, 2014 and 2013 is as follows:

	For the Year December 31			
	2014		2013	
Employee Share Options	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**
Issuance in 2014	$100.00	5.63	$ -	-
Issuance in 2010	48.30	0.53	54.20	1.53
Issuance in 2009	-	-	46.70	0.92

Options granted in 2014 were priced using the Black-Scholes model, and the inputs to the model were as follows:

	2014	2010	2009
Grant-date share price (NT$)	$239.5	$67.4	$61.9
Exercise price (NT$)	$100	$67.4	$61.9
Expected volatility	28.28-29.19%	34.11-35.15%	37.78%-35.22%
Expected life (years)	4-5.5 years	3.5-4.5 years	3.5-4.5 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	1.07%-1.30%	0.92%-1.10%	0.58%-0.79%

Expected volatility is based on the historical stock price volatility over the past five years.

Compensation costs recognized were $111,393 thousand and $19,913 thousand for the years ended December 31, 2014 and 2013.

Qualified employees of AdvanPOS, a subsidiary of the Company, were granted 2,000 options in October 2009 and 800 options in December 2010. Each option entitles the holder to subscribe for one thousand common shares of AdvanPOS. These options, which were issued in October 2009 and December 2010, were valid for four and two years, respectively. All were exercisable at certain percentages after the first anniversary year from the grant date. For the exercise of options, AdvanPOS issued new shares to the employees at NT$10 per share.

Information on employee share options as of December 31, 2014 and 2013 is as follows:

	For the Year Ended December 31			
	2014		2013	
Employee Share Options	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	800	$ 10.00	2,418	$ 10.00
Options granted	-	-	800	10.00
Options exercised	(194)	10.00	(1,616)	10.00
Options expired	(55)	-	(2)	-
Options forfeited	(105)	-	-	-
Balance at December 31	446	10.00	800	10.00
Options exercisable, end of the year	268	10.00	-	-

Information on outstanding options for the years ended December 31, 2014 and 2013 is as follows:

	For the Year December 31			
	2014		2013	
Employee Share Options	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2010	$ 10.00	0.17	$ 10.00	1.92

Options granted by AdvanPOS in 2014 were priced using the Black-Scholes model, and the inputs to the model were as follows:

	2010
Grant-date share price (NT$)	$12.39
Exercise price (NT$)	$10
Expected volatility	30.43%
Expected life (years)	2 years
Expected dividend yield	0%
Risk-free interest rate	1.345%

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
GPEG	Manufacture and sale of embedded intelligent monitoring	November 18, 2013	100.00	$ 254,352
ALTC	Production and sale of Machine control solution	August 30, 2013	99.97	$ 729,787
AdvanPOS	Production and sale of POS system	July 31, 2013	70.19	$ 319,461

To expand the markets for the gambling industry and embedded intelligent monitoring systems in Europe, the Group acquired 100% equity of GPEG International Ltd., a British supplier of embedded intelligent monitoring systems. After the acquisition, the target entity will be known as Advantech - GPEG and will lead the Group in growing its market in Europe.

The Company acquired 99.97% equity of LNC Technology Co., Ltd., a subsidiary of Pou Chen Group, and renamed it Advantech-LNC Technology Co., Ltd. (ALTC). In addition to cultivating the existing business of machine control solution, the Company will develop the field of robotics and intelligent control platform, expanding the market of automatic control.
The Company acquired 70.19% equity of AdvanPOS to expand the new retail market of intelligent products. After the acquisition, AdvanPOS keeps its name and focuses on the area of POS (point of sale) system.

b. Considerations transferred

	For the Year Ended December 31, 2013		
	GPEG	ALTC	AdvanPOS
Cash	$ 254,352	$ 729,787	$ 319,461

On November 18, 2013, the Group acquired 100% equity in GPEG International Ltd. for $278,641 thousand (£5,850 thousand). The consideration is payable in four annual installments from 2013 to 2016. Based on a valuation report received on October 28, 2014, the consideration should be adjusted to $254,352 thousand (£5,340 thousand) after deducting finance costs and fair value adjustments to the assets and liabilities acquired. Payments for the consideration were $31,033 thousand and $136,534 thousand in 2014 and 2013, respectively.

c. Assets acquired and liabilities assumed at the date of acquisition

	For the Year Ended December 31, 2013		
	GPEG	ALTC	AdvanPOS
Current assets			
Cash and cash equivalents	$ 33,634	$ 250,638	$ 84,781
Notes receivable	-	40,541	2,592
Trade receivables	132,083	110,266	26,703
Inventories	11,443	134,261	77,983
Other receivables	-	13,607	4,290
Other current assets	6,609	15,701	7,877
Noncurrent assets			
Plant and equipment	4,527	33,391	212,240
Investments accounted for using the equity method	30,270	-	-
Intangible assets	44,477	-	-
Other noncurrent assets	-	3,004	1,803
Current liabilities			
Trade and other payables	(85,819)	(99,871)	(67,748)
Tax liabilities	(16,255)	(916)	-
Other current liabilities	(95)	(7,192)	(1,792)
Noncurrent liabilities			
Long-term borrowings	-	-	(200,000)
	160,874	493,430	148,729
Percentage of equity interest acquired	100.00%	99.97%	70.19%
Net amount	$ 160,874	$ 493,282	$ 104,393

d. Non-controlling interests

The non-controlling interests of 0.03% in ALTC and 29.81% in AdvanPOS, were recognized at the acquisition date and were measured on the basis of the share of fair value of identifiable net assets acquired.

All outstanding share options granted by AdvanPOS to its employees had vested by the acquisition date. These share options were measured at their market-based measure of $1,360 thousand and were included in the non-controlling interest in AdvanPOS. Methods and significant assumptions used in determining the market-based measure at the acquisition date are set out in Note 24.

e. Goodwill arising on acquisition

	For the Year Ended December 31, 2013		
	GPEG	ALTC	AdvanPOS
Consideration transferred	$ 254,352	$ 729,787	$ 319,461
Add: Noncontrolling interest (0.03% equity in ALTC)	-	151	-
Add: Noncontrolling interest (29.81% equity in AdvanPOS)	-	-	44,336
Less: Fair value of identifiable net assets acquired	(160,874)	(493,430)	(148,729)
Goodwill arising on acquisition	$ 93,478	$ 236,508	$ 215,068

Goodwill arising in the acquisition of GPEG, ALTC, and AdvanPOS resulted from the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of acquiree companies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquisition goodwill was not deductible for tax purpose.

f. Net cash outflow on acquisition of subsidiaries

	For the Year Ended December 31	
	2014	2013
Consideration paid in cash	$ -	$ 1,303,600
Add: Opening balance of other payables	15,299	-
Add: Opening balance of long-term accounts payable	102,519	-
Less: Ending balance of other payables	(45,186)	(15,299)
Less: Ending balance of long-term accounts payable	(43,028)	(102,519)
Add: Effect of foreign exchange	1,429	-
Less: Cash and cash equivalent balances acquired	-	(369,053)
	$ 31,033	$ 816,729

g. Impact of acquisitions on the results of the Group

The results of acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	For the Year Ended December 31, 2013
Revenue	
GPEG	$ 57,020
ALTC	$ 115,118
AdvanPOS	$ 179,836
Net Loss for the year	
GPEG	$ (1,719)
ALTC	$ (23,973)
AdvanPOS	$ (2,055)

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been $31,377,840 thousand, and the profit from continuing operations would have been $4,139,050 thousand for the year ended December 31, 2013. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

26. DISPOSAL OF SUBSIDIARIES

In the secondn quarter of 2013, the Group had disposed 100% of its equity interests in BCM Embedded Computer Inc. (BCM), which manufactured telecommunications equipment and electronic parts. The subsidiary was disposed of because an analysis had shown a decline in the subsidiary's business scope and its failure to improve the Group's economic returns and resource use. On June 30, 2013, this disposal was completed and control of BCM was passed to the acquirer.

a. Consideration received from the disposal

	Disposal of BCM Embedded Computer Inc.
Consideration received in cash and cash equivalents	$ 13,500

b. Analysis of asset and liabilities on the date control was lost

	BCM Embedded Computer Inc.
Current assets	
Cash and cash equivalents	$ 1,846
Available-for-sale financial assets - current	10,609
Other current assets	32
Noncurrent assets	
Property, plant and equipment	1
Current liabilities	
Other current liabilities	(786)
Net assets disposed of	$ 11,702

c. Loss on disposal of subsidiary

	For the Year Ended December 31, 2013
Consideration received	$ 13,500
Net assets disposed of	(11,702)
Goodwill	(6,279)
Unrealized gains (losses) on revaluation of available-for-sale financial assets reclassified to profit or loss	109
Loss on disposal	$ (4,372)

d. Net cash inflow on disposal of subsidiary

	For the Year Ended December 31, 2013
Consideration received in cash and cash equivalents	$ 13,500
Less: Cash and cash equivalents disposed of	(1,846)
	$ 11,654

27. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

a. As of December 31, 2014 and 2013, the Group acquired additional interests of 4.51% and 1.21%, respectively, in Netstar, increasing its interest to 100% and 95.49%, respectively. The Company merged with Netstar at the end of the third quarter of 2014 as a result of investment restructuring.

b. The Group acquired an additional 0.03% holding interest in ALTC in November 2013. In the first quarter of 2014, the Group disposed of 10.27% of its holding of shares of ALTC and distributed these shares to ALTC's employees; in the second and third quarters of 2014, the Company purchased 0.14% and 0.06%, respectively, of ALTC's outstanding shares. These share transactions resulted in a decrease in the Company's equity in ALTC from 100% to 89.93%.

c. AdvanPOS issued ordinary shares for the exercise of employee share options, decreasing the Company's holding interest by 0.63% and 5.72% in 2014 and 2013, respectively. In the fourth quarter of 2014, the Company subscribed for an additional 1,127 thousand shares of AdvanPOS. These transactions reduced its continuing interest from 70.19% to 69.47%.

d. In October and December 2013, the Group acquired additional 0.30% and 0.34% holding interest of ACA, increasing its continuing interest from 99.36% to 100%.

e. In November 2013, the Company acquired additional 20% holding interest of ABR, increasing its continuing interest from 60% to 80%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

	For the Year Ended December 31, 2014			
	Netstar	**ALTC**	**AdvanPOS**	**Total**
Cash consideration received (paid)	$ (13,520)	$ 51,174	$ (22,535)	$ 15,119
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	13,167	(28,321)	11,492	(3,662)
Differences arising from equity transaction	$ (353)	$ 22,853	$ (11,043)	$ (11,457)
Line items adjusted for equity transaction				
Capital surplus - difference between consideration received or paid and carrying amounts of the subsidiaries' net assets during actual disposal or acquisition	$ (353)	$ 22,853	$ (11,403)	$ 11,457
Capital surplus - changes in percentage of ownership interest in subsidiaries	-	-	(1,873)	(1,873)
	$ (353)	$ 22,853	$ (12,916)	$ (9,584)

	For the Year Ended December 31, 2013					
	ALTC	AdvanPOS	Netstar	ACA	ABR	Total
Cash consideration received (paid)	$ (213)	$ -	$ (3,631)	$ (4,878)	$ (39,616)	$ (48,338)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	137	-	2,239	2,911	10,443	15,730
Differences arising from equity transaction	$ (76)	$ -	$ (1,392)	$ (1,967)	$ (29,173)	$ (32,608)
Line items adjusted for equity transaction						
Capital surplus - changes in percentage of ownership in subsidiaries	$ -	$ 2,552	$ -	$ -	$ -	$ 2,552
Retained earnings	(76)	-	(1,392)	(1,967)	(29,173)	(32,608)
	$ (76)	$ 2,552	$ (1,392)	$ (1,967)	$ (29,173)	$ (30,056)

28. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Lease arrangements

The Group leased offices in the U.S.A., Europe and Japan from third parties; the lease contracts, which will end between 2012 and 2017, are renewable upon expiry.

As of December 31, 2014 and 2013, refundable deposits (recognized as other noncurrent assets) for the operating leases were $25,086 thousand and $24,123 thousand, respectively.

Recognized as expenses

	For the Year Ended December 31	
	2014	2013
Rental expenses	$ 171,528	$ 114,052

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2013 through 2014.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity). The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, the management believed that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximated their fair values (or their fair values cannot be reliably measured):

	December 31			
	2014		2013	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ -	$ -	$ 18,348	$ 49,656

2) Fair value measurements recognized in the balance sheets

Financial instruments are analyzed after initial recognition at fair value and are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 14,879	$ -	$ 14,879
Non-derivative financial asset held for trading	150,523	-	-	150,523
	$ 150,523	$ 14,879	$ -	$ 165,402

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,519,020	$ -	$ -	$ 2,519,020
Unlisted securities - ROC				
Equity securities	-	-	9,375	9,375
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	2,351,160	-	-	2,351,160
Investment products denominated in RMB	-	-	947,116	947,116
	$ 4,870,180	$ -	$ 989,748	$ 5,859,928
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 8,698	$ -	$ 8,698

(Concluded)

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,723	$ -	$ 2,723
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,885,351	$ -	$ -	$ 1,885,351
Unlisted securities - ROC				
Equity securities	-	-	1,875	1,875
Unlisted securities - other countries				
Equity securities	-	-	33,257	33,257
Mutual funds	2,056,368	-	-	2,056,368
	$ 3,941,719	$ -	$ 35,132	$ 3,976,851
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 23,722	$ -	$ 23,722

As of December 31, 2014 and 2013, there were no transfers between Levels 1 and 2 in the current and prior periods.

3) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2014

	Available-for-sale Financial Assets		
	Equity Instruments	Investment Products	Total
Financial assets			
Balance at January 1, 2014	$ 35,132	$ -	$ 35,132
Purchases	7,500	947,116	954,616
Balance at December 31, 2014	$ 42,632	$ 947,116	$ 989,748

For the year ended December 31, 2013

	Available-for-sale Financial Assets		
	Equity Instruments	Investment Products	Total
Financial assets			
Balance at January 1, 2013	$ 33,257	$ -	$ 33,257
Purchases	1,875	-	1,875
Balance at December 31, 2013	$ 35,132	$ -	$ 35,132

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Group were consistent with those that market participants would use in setting a price for the financial instrument.

The fair values of forward contracts are estimated using a yield curve, which projects future interest rate changes in relation to predetermined settlement rates for these contracts on maturity.

c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	December 31	
	2014	**2013**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading (Note 1)	$ 165,402	$ 2,723
Loans and receivables (Note 2)	9,079,678	8,784,485
Available-for-sale financial assets	5,859,928	3,976,851
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	8,698	23,722
Measured at amortized cost (Note 3)	6,691,263	6,156,944

Note 1: The balance included the carrying amount of held-for-trading financial assets measured at cost.

Note 2: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables and other receivables (including those from related parties).

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, long-term payables and accrued convertible bonds with maturity less than 1 year.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, trade receivables, trade payables, bonds payable, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into financial instrument transactions (including derivative financial instruments) for speculative purposes.

The Corporate Treasury function reported quarterly to the board of directors on the Group's current derivative instrument management.

1) Market risk

The Group's activities expose it primarily to financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed it to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by entering into a variety of derivative financial instruments, which allow the Group to mitigate but not fully eliminate the effect. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts.

These forward exchange contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 34. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar, Euro and Renminbi.

The following table details the Group's sensitivity to a 5% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and their translation at the end of the reporting period is adjusted for a 5% change in exchange rates. A positive number below indicates an increase in post-tax profit and other equity associated with a 5% strengthening of the New Taiwan dollar against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity, and the balances below would be negative.

	U.S. Dollar Impact For the Year Ended December 31		**Euro Impact For the Year Ended December 31**		**Renminbi Impact For the Year Ended December 31**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Profit or loss	$ 27,648 (Note 1)	$ (30,259) (Note 1)	$ 56,189 (Note 2)	$ 8,013 (Note 2)	$ 3,875 (Note 3)	$ (18,718) (Note 3)

Note 1: This was mainly attributable to the exposure outstanding on U.S. dollars denominated cash, trade receivables, trade payables, and bank borrowing, which were not hedged at the end of the reporting period.

Note 2: This was mainly attributable to the exposure outstanding on Euro denominated cash, trade receivables and payables, which were not hedged at the end of the reporting period.

Note 3: This was mainly attributable to the exposure outstanding on Renminbi denominated cash, trade receivables and trade payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group's floating-rate bank savings are exposed to risk on changes in interest rates for financial assets. The Group was also exposed to risk on changes in interest rates for financial liabilities, specifically fixed and floating-rate bank borrowings. The Group was not engaged in hedging activities for speculative purposes. The Group's management monitors fluctuations in market interest rates regularly to ensure that interest rate risks are minimized.

The Group's fixed-term bank deposits are exposed to fair value interest rate risk; however, this expected risk is insignificant.

The carrying amount of the Groups financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2014	**2013**
Fair value interest rate risk		
Financial assets	$ 216,106	$ 1,203,088
Financial liabilities	3,080	347
Cash flow interest rate risk		
Financial assets	2,586,731	2,115,055
Financial liabilities	-	122,797

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 50 basis points higher and all other variables had been held constant, the Group's pre-tax profit for the years ended December 31, 2014 and 2013 would have increased by $12,934 thousand and $9,961 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and open-end mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

Had equity prices been 1% higher, pre-tax profits for the year ended December 31, 2014 would have increased by $1,505 thousand as a result of changes in fair value of held-for-trading investments. Pre-tax other comprehensive income for the years ended December 31, 2014 and 2013 would have increased by $48,702 thousand and $39,417 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of the reporting period, the Group's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets, as stated in the balance sheets.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider the Group's credit risk as significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

As of December 31, 2014 and 2013, the Company had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

For the liabilities with floating interests, the undiscounted amounts were derived from the interest rate curve at the end of the reporting period.

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 4,150,363	$ 1,722,512	$ 772,280	$ 43,028
Fixed interest rate liabilities	10	20	3,069	-
	$ 4,150,373	$ 1,722,532	$ 775,349	$ 43,028

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 3,654,479	$ 1,555,255	$ 721,547	$ 102,519
Variable interest rate liabilities	269	538	125,219	-
Fixed interest rate liabilities	29	58	262	-
	$ 3,654,777	$ 1,555,851	$ 847,028	$ 102,519

The amounts included above for variable interest rate instruments for non-derivative financial liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) The following tables shows the Group's liquidity analysis of its derivative financial instruments. The tables were based on the undiscounted gross cash inflows and outflows on those derivative instruments that require gross settlement.

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Total
Gross settled				
Foreign exchange forward contracts				
Inflows	$ 229,050	$ 602,341	$ 5,024	$ 836,415
Outflows	225,029	600,162	5,043	830,234
	$ 4,021	$ 2,179	$ (19)	$ 6,181

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Total
Gross settled				
Forward exchange contracts				
Inflows	$ 324,748	$ 552,632	$ 405,861	$ 1,283,241
Outflows	330,514	560,089	413,637	1,304,240
	$ (5,766)	$ (7,457)	$ (7,776)	$ (20,999)

c) Financing facilities

	December 31	
	2014	2013
Unsecured bank loan facilities		
Amount used	$ 3,000	$ 25,000
Amount unused	3,426,056	3,416,360
	$ 3,429,056	$ 3,441,360

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Sales of goods

Related Party Categories	For the Year Ended December 31	
	2014	2013
Associates	$ 80,889	$ 68,057
Other related parties	221	-
	$ 81,110	$ 68,057

b. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2014	2013
Associates	$ 24,357	$ 19,141

c. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31 2014	December 31 2013
Accounts receivable-related parties	Associates	$ 5,400	$ 6,579
Notes receivable	Associates	$ 370	$ -

The outstanding trade receivables from related parties are unsecured. As of December 31, 2014 and 2013, the Group had no bad-debt expenses recognized for trade receivables from related parties.

d. Payables to related parties (excluding loans from related parties)

Accounts	Related Party Categories	December 31 2014	December 31 2013
Accounts payable	Associates	$ 1,546	$ 1,784

The outstanding trade payables from related parties are unsecured.

e. Property, plant and equipment acquired

Related Party	Acquisition Prices For the Year Ended December 31 2014	Acquisition Prices For the Year Ended December 31 2013
Other related parties	$ 193,240	$ -

f. Other transactions with related parties

Line Items	Related Party Categories	Operating Expenses For the Year Ended December 31 2014	Operating Expenses For the Year Ended December 31 2013
Rental expenses	Other related parties	$ 4,405	$ 8,851

Line Items	Related Party Categories	Other Income For the Year Ended December 31 2014	Other Income For the Year Ended December 31 2013
Other	Other related parties	$ 2,762	$ 2,000
	Associates	502	-
		$ 3,264	$ 2,000

Lease contracts formed between the Company and its associates were based on market rental prices and had normal payment terms. There were no significant differences in the selling price and payment terms for related parties and those for unrelated parties. When normal payment terms with related parties were not stipulated, the payment terms were based on mutual agreement.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	$ 41,098	$ 53,616
Post-employment benefits	109	112
Share-based payments	11,063	2,989
	$ 52,270	$ 56,717

The remuneration of directors and key executives was determined by the remuneration committee having regarded to the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. As of December 31, 2013, AdvanPOS had pledged the following assets for short-term and long-term bank borrowings. AdvanPOS canceled the pledged assets in the second quarter of 2014.

	December 31, 2013
Fixed assets - land	$ 54,843
Fixed assets - buildings, net of accumulated depreciation	38,950
	$ 93,793

b. As of December 31, 2014 and 2013, as requested by suppliers, the Company pledged time deposits of $18,650 thousand and $109,110 thousand, respectively, for bank guarantees for the Company's purchases.

c. As of December 31, 2013, AdvanPOS pledged a time deposit of $200 thousand as collateral for short-term borrowing.

33. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. As of December 31, 2014, the Company had a construction contract amounting to $1,627,500 thousand for a newly constructed science park located in Linkou in Taoyuan City, of which the Company had paid $135,839 thousand. The remaining amount was $1,491,661 thousand.

b. As of December 31, 2014 and 2013, the guarantee notes issued by Cermate for its bank borrowings had amounted to $40,000 thousand.

c. As of December 31, 2013, the guarantee notes issued by Netstar for its bank loan had amounted to $1,459 thousand.

34. EXCHANGE RATE FOR FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2014

Unit: In Thousands of New Taiwan Dollars and Foreign Currencies, Except for Exchange Rate

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 134,791	31.650 (USD:NTD)	$ 4,266,135
RMB	490,578	5.0920 (RMB:NTD)	2,498,023
RMB	270,388	0.1609 (RMB:USD)	1,376,807
EUR	17,712	38.470 (EUR:NTD)	681,381
			$ 8,822,346
Nonmonetary items			
USD	992	31.650 (USD:NTD)	$ 31,397
Financial liabilities			
Monetary items			
USD	80,059	31.650 (USD:NTD)	$ 2,533,867
RMB	262,127	5.0920 (RMB:NTD)	1,334,751
USD	35,997	6.2156 (USD:RMB)	1,139,304
RMB	114,709	0.1609 (RMB:USD)	584,098
			$ 5,592,020

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 102,596	29.805 (USD:NTD)	$ 3,057,863
RMB	420,934	4.9040 (RMB:NTD)	2,064,261
RMB	258,522	0.1650 (RMB:USD)	1,267,785
EUR	18,900	41.090 (EUR:NTD)	776,618
			$ 7,166,527
Financial liabilities			
Monetary items			
USD	73,106	29.805 (USD:NTD)	$ 2,178,937
RMB	251,077	4.9040 (RMB:NTD)	1,231,279
USD	39,283	6.0777 (USD:RMB)	1,170,820
			$ 4,581,036

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held. (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Transactions of financial instruments. (Notes 7 and 30)

10) Significant transactions between the Company and subsidiaries. (Table 10)

11) Name, locations, and other information of investees. (Table 7)

12) Organization chart. (Table 9)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, their prices, and payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

36. SEGMENT INFORMATION

a. Segment information is provided to the Group’s chief operating decision maker for allocating resources to the segments and assessing their performance. The information focuses on every type of products sold or services provided. The Groups segment information disclosed is as follows:

1) Industrial automation services: Focus on services retaining to industrial automation;

2) Embedded board and design-in services: Services involving embedded boards, systems and peripheral hardware and software;

3) Intelligent services: Referring to integrated intelligent applications that can be used in various areas;

4) Design and manufacturing services: Customized design and other services based on customers' requirements;

5) Global customer services: Global repair, technical support and warranty services.

b. Segment revenues and results

The following was an analysis of the Group's revenues and results from continuing operations by reportable segment:

	Industrial Automation Services	Embedded Boards and Design-in Services	Intelligent Services	Design and Manufacturing Service	Global Customer Services	Other	Total
Year ended December 31, 2014							
Revenues from external customers	$ 5,325,310	$14,305,236	$ 3,127,125	$ 8,929,026	$ 4,045,002	$ -	$35,731,699
Inter-segment revenues	-	56,658	-	-	-	-	56,658
Segment revenues	$ 5,325,310	$14,361,894	$ 3,127,125	$ 8,929,026	$ 4,045,002	$ -	35,788,357
Eliminations							(56,658)
Consolidated revenues							35,731,699
Segment income (loss)	$ 1,148,044	$ 2,677,724	$ 454,227	$ 1,504,783	$ 902,731	$(1,179,024)	5,508,485
Other revenues							91,185
Other income and expense							369,592
Finance costs							(14,420)
Share of profits of associates accounted for using the equity method							100,264
Profit before tax (continuing operations)							$ 6,055,106
Year ended December 31, 2013							
Revenues from external customers	$ 4,263,934	$11,771,803	$ 3,221,821	$ 7,552,733	$ 3,849,743	$ -	$30,660,034
Inter-segment revenues	-	(118,523)	-	-	-	-	(118,523)
Segment revenues	$ 4,263,934	$11,653,280	$ 3,221,821	$ 7,552,733	$ 3,849,743	$ -	30,541,511
Eliminations							118,523
Consolidated revenues							30,660,034
Segment income (loss)	$ 1,134,727	$ 2,231,822	$ 91,567	$ 1,470,261	$ 674,260	$ (934,487)	4,668,150
Other revenues							101,690
Other income and expense							336,428
Finance costs							(11,402)
Share of profits of associates accounted for using the equity method							73,680
Profit before tax (continuing operations)							$ 5,168,546

The income above was generated from transactions with external customers. There were no sales between segments during the years ended December 31, 2014 and 2013, respectively.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

c. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2014	2013
Industrial automation services	$ 5,325,310	$ 4,263,934
Embedded boards and design-in services	14,305,236	11,771,803
Intelligent services	3,127,125	3,221,821
Design and manufacturing service	8,929,026	7,552,733
Global customer services	4,045,002	3,849,743
	$ 35,731,699	$ 30,660,034

d. Geographical information

The Group's revenues from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	2013	2014	2013
Taiwan	$ 3,917,161	$ 2,841,041	$ 6,582,733	$ 5,908,806
Asia	13,686,915	11,390,213	2,879,254	2,643,643
USA	11,245,587	9,466,612	407,996	367,223
Europe	5,049,637	4,657,390	645,096	792,419
Others	1,832,399	2,304,778	1,209	1,459
	$ 35,731,699	$ 30,660,034	$ 10,516,288	$ 9,713,550

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

No customers contributed 10% or more to the Group's revenue for both 2014 and 2013.

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note D)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
0	The Company	AEU	Accounts receivable - related parties	Yes	$ 141,828 (EUR 3,383 thousand)	$ -	$ -	2.00	Short-term financing	$ -	Financing need	$ -	None	None	$ 2,235,106 (Note C)	$ 4,470,212 (Note C)
1	AEUH	AEU	Accounts receivable - related parties	Yes	31,448 (EUR 750 thousand)	28,853 (EUR 750 thousand)	28,853 (EUR 750 thousand)	4.00	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
2	ANA	AKMC	Accounts receivable - related parties	Yes	145,590 (US$ 4,600 thousand)	145,590 (US$ 4,600 thousand)	129,765 (US$ 4,100 thousand)	2.00	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
3	Better Auto	Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	23,016 (RMB 4,520 thousand)	23,016 (RMB 4,520 thousand)	23,016 (RMB 4,520 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
		Dongguan Pou Yuen Digital Technology Co., Ltd.	Accounts receivable - related parties	Yes	15,825 (US$ 500 thousand)	15,825 (US$ 500 thousand)	15,825 (US$ 500 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
4	Advantech Corporate Investment	AdvanPOS	Accounts receivable - related parties	Yes	100,000	100,000	100,000	1.15	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)
5	Cermate (Shanghai)	Cermate (Shenzhen)	Prepayments of inventories	Yes	12,157 (RMB 2,419 thousand)	9,128 (RMB 1,793 thousand)	9,128 (RMB 1,793 thousand)	-	Short-term financing	-	Financing need	-	None	None	2,235,106 (Note C)	4,470,212 (Note C)

Note A: Parent company: 0; investee companies are numbered sequentially from 1.

Note B: The exchange rates as of December 31, 2014 were EUR1=NT$38.47, US$1=NT$31.65 and RMB1=NT$5.09

Note C: The financing limit for each borrower and for the aggregate financing were 10% and 20%, respectively, of the Company's net asset values.

Note D: The maximum balance for the year and ending balance are approved by the board of directors of financiers.

Note E: All intercompany financing has been eliminated from consolidation.

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ACA	Subsidiary	$ 2,235,106	$ 126,600	$ 126,600	$ -	$ -	0.6	$ 6,705,318	Y	N	N

Note A: 10% of the Company's net asset value.

Note B: 30% of the Company's net asset value.

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,239,461	$ 1,815,473	0.71	$ 1,815,473	Notes A and C
	Pegatron Corp.	-	〃	7,814,570	570,464	0.33	570,464	Notes A and D
	Fund							
	Mega Diamond Money Market	-	Available for sale financial assets - current	76,853,657.47	945,784	-	945,784	Note B
	Capital Money Market	-	〃	35,357,851.10	560,419	-	560,419	Note B
	Eastspring Investment Well Pool Fund	-	〃	15,830,783.10	211,553	-	211,553	Note B
Advantech Corporate Investment	Stock							
	Sercomm Corp.	-	Financial assets at fair value through profit or loss - current	117,000	8,365	0.05	8,365	Note A
	Allied Circuit Co., Ltd.	-	〃	2,800,000	111,160	5.44	111,160	Note A
	NXP Semiconductors N.V.	-	〃	4,000	9,672	-	9,672	Note A
	InvenSense, Inc.	-	〃	18,389	9,464	0.02	9,464	Note A
	Freescale Semiconductor, Ltd.	-	〃	7,199	5,749	-	5,749	Note A
	Honeywell International Inc.	-	〃	1,933	6,113	-	6,113	Note A
	COBAN Research and Technologies, Inc.	-	Available for sale financial assets - noncurrent	600,000	33,257	6.85	33,257	-
	BroadTec System Inc.	-	〃	150,000	1,500	10.00	1,500	-
	BiosenseTek Corp.	-	〃	37,500	375	1.79	375	-
	Jaguar Technology	-	〃	500,000	7,500	2.00	7,500	-
	Taiwan Hon Chuan Enterprise Co., Ltd.	-	Available for sale financial assets - current	2,385,000	133,083	0.92	133,083	Note A
	Fund							
	Eastspring Investment Well Pool Fund	-	〃	14,153,933.40	189,144	-	189,144	Note B
	Taishin 1699 Money Market	-	〃	436,025.39	5,793	-	5,793	Note B
Advansus Corp.	Fund							
	Jih Sun Money Market	-	〃	7,656,351.22	111,322	-	111,322	Note B
Cermate	Fund							
	Eastspring Investment Well Pool Fund	-	〃	2,237,515.80	29,901	-	29,901	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Advantech Intelligent Service	Fund Eastspring Investment Well Pool Fund	-	〃	4,271,804.80	$ 57,086	-	$ 57,086	Note B
ACA	Fund Mega Diamond Money Market	-	〃	16,314,243.44	200,768	-	200,768	Note B
ALTC.	Fund Mega Diamond Money Market	-	〃	3,200,765.00	39,390	-	39,390	Note B

Note A: Market value was based on the closing price on December 31, 2014.

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2014.

Note C: The amount included $1,437,975 thousand, the carrying value of 4,150,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

Note D: The amount included $354,050 thousand, the carrying value of 4,850,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note)		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	Fund													
	Mega Diamond Money Market	Available-for-sale financial assets - current	-	-	77,279,008.82	$ 944,030	103,786,543.73	$ 1,275,000	104,211,895.08	$ 1,280,183	$ 1,274,030	$ 6,153	76,853,657.47	$ 945,000
	Capital Money Market	Available-for-sale financial assets - current	-	-	18,926,086.30	298,000	61,850,279.20	978,000	45,418,514.40	717,907	716,000	1,907	35,357,851.10	560,000
	Eastspring Investment Well Pool Fund	Available-for-sale financial assets - current	-	-	-	-	39,798,879.90	530,500	23,968,096.80	319,226	319,000	226	15,830,783.10	211,500
	Mega RMB Money Market	Available-for-sale financial assets - current	-	-	-	-	11,214,444.71	548,733	11,214,444.71	551,937	548,733	3,204	-	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Investment product													
	90 days guaranteed-yield investment product in RMB	Available-for-sale financial assets - current	-	-	-	-	-	559,900 (RMB 110,000)	-	-	-	-	-	559,900 (RMB 110,000)

Note: The exchange rate as of December 31, 2014 was RMB1=NT$5.09.

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AEU	Subsidiary	Sale	$ (3,065,461)	11.66	30 days after month-end	Contract price	No Significant difference in terms for related parties	$ 764,758	15.02	
	ANA	Subsidiary	Sale	(8,002,326)	30.43	45 days after month-end	Contract price	No Significant difference in terms for related parties	870,711	17.10	
	ACN	Subsidiary	Sale	(4,060,692)	15.44	45 days after month-end	Contract price	No Significant difference in terms for related parties	1,408,675	27.66	Note A
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Subsidiary	Sale	(1,083,110)	4.12	45 days after month-end	Contract price	No Significant difference in terms for related parties	327,728	6.44	Note B
	AKMC	Subsidiary	Sale	(1,274,048)	4.84	45 days after month-end	Contract price	No Significant difference in terms for related parties	275,995	5.42	Note C
	ASG	Subsidiary	Sale	(166,839)	0.63	60-90 days	Contract price	No Significant difference in terms for related parties	29,423	0.58	
	AJP	Subsidiary	Sale	(417,124)	1.59	60-90 days	Contract price	No Significant difference in terms for related parties	94,707	1.86	
	AAU	Subsidiary	Sale	(173,950)	0.66	60-90 days	Contract price	No Significant difference in terms for related parties	53,810	1.06	
	ABR	Subsidiary	Sale	(203,654)	0.77	90 days after month-end	Contract price	No Significant difference in terms for related parties	70,306	1.38	
	AKR	Subsidiary	Sale	(594,749)	2.26	60 days after invoice date	Contract price	No Significant difference in terms for related parties	12,545	0.25	
	ATC	Subsidiary	Purchase	9,491,663	49.26	Usual trade terms	Contract price	No Significant difference in terms for related parties	(1,677,543)	52.23	
	Advansus Corp.	Subsidiary	Purchase	1,411,676	7.33	Usual trade terms	Contract price	No Significant difference in terms for related parties	(459,774)	14.31	
	ACA	Subsidiary	Purchase	3,092,656	16.05	Usual trade terms	Contract price	No Significant difference in terms for related parties	(246,013)	7.66	
ACN	AiSC	Related enterprise	Sale	(165,603)	2.64	Usual trade terms	Contract price	No Significant difference in terms for related parties	18,743	1.44	
ACA	AKMC	Related enterprise	Sale	(1,101,969)	21.73	Usual trade terms	Contract price	No Significant difference in terms for related parties	50,151	12.79	
	Advansus Corp.	Related enterprise	Sale	(862,626)	17.01	Usual trade terms	Contract price	No Significant difference in terms for related parties	89,859	22.91	
AiSC	AKMC	Related enterprise	Sale	(159,766)	8.28	Usual trade terms	Contract price	No Significant difference in terms for related parties	38,630	6.46	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AKMC	Netstar	Related enterprise	Sale	$ (126,790)	2.02	Usual trade terms	Contract price	No Significant difference in terms for related parties	$ -	-	
	ACN	Related enterprise	Sale	(226,989)	2.42	Usual trade terms	Contract price	No Significant difference in terms for related parties	45,896	6.00	
	ATC	Parent company	Sale	(8,862,230)	94.33	Usual trade terms	Contract price	No Significant difference in terms for related parties	682,596	89.25	
	AiSC	Related enterprise	Sale	(169,218)	1.80	Usual trade terms	Contract price	No Significant difference in terms for related parties	32,051	4.19	
ANA	ACA	Related enterprise	Sale	(111,294)	1.18	Usual trade terms	Contract price	No Significant difference in terms for related parties	25,448	1.68	
Advansus Corp.	ACA	Related enterprise	Sale	(226,064)	5.31	Usual trade terms	Contract price	No Significant difference in terms for related parties	15,680	1.45	
	AKMC	Related enterprise	Sale	(1,346,097)	31.65	Usual trade terms	Contract price	No Significant difference in terms for related parties	475,760	44.05	
	AKR	Related enterprise	Sale	(136,379)	3.21	Usual trade terms	Contract price	No Significant difference in terms for related parties	7,757	0.72	
ALTC	Dongguan Pou Yuen Digital Technology Co., Ltd.	Subsidiary	Sale	(206,625)	64.77	Usual trade terms	Contract price	No Significant difference in terms for related parties	54,536	68.00	

Note A: Unrealized gain for the year was $17,979 thousand.

Note B: Realized gain for the year was $11,019 thousand.

Note C: Unrealized gain for the year was $1,260 thousand.

Note D: All intercompany gains and losses from investment have been eliminated from consolidation.

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note A)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	AiSC	Subsidiary	$ 327,728	1.76	$ -	-	$ 50,920	$ -
	ACN	Subsidiary	1,408,675	3.88	-	-	458,280	-
	AEU	Subsidiary	764,758	3.63	-	-	200,992	-
	AKMC	Subsidiary	275,995	5.50	-	-	171,877	-
	ANA	Subsidiary	870,711	12.63	-	-	630,014	-
ATC	The Company	Parent company	1,677,543	5.78	-	-	572,986	-
ACA	The Company	Parent company	246,013	12.89	-	-	242,516	-
Advansus Corp.	The Company	Parent company	459,774	3.49	-	-	260,551	-
	AKMC	Related enterprise	475,760	3.33	-	-	151,324	-
AKMC	ATC	Parent company	682,596	13.52	-	-	643,647	-
ANA	AKMC	Related enterprise	129,765	(Note A)	-	-	95,941	-
Advantech Corporate Investment	AdvanPOS	Related enterprise	100,000	(Note A)	-	-	-	-

Note A: Transactions involved financing activities.

Note B: All intercompany gains and losses from investment have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars/Foreign Currency, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	$ 1,000,207	$ 993,108	29,623,834	100.00	$ 3,445,935	$ 343,368	$ 337,799	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	3,513,745	172,715	174,092	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	486,000	36,000,000	100.00	761,954	315,769	315,315	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	900,000	900,000	100,000,000	100.00	988,173	87,674	89,640	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	26.30	420,063	370,563	97,592	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	341,995	319,461	13,905,182	69.47	319,139	(17,239)	(11,348)	Subsidiary
	ALTC	Taichung, Taiwan	Production and sale of machine control solution	478,825	530,000	26,980,000	89.93	511,128	28,662	25,761	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	9,842	8,235	1,392	Equity-method investee (Note B)
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	781	(1,369)	(20)	Subsidiary (Note C)
	AEUH	Helmond, The Netherlands	Investment and management service	1,262,051	1,146,489	12,572,024	100.00	959,009	73,892	73,569	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	96,662	13,842	13,842	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	44,556	(7,955)	(7,955)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	145,000	15,187	15,187	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	35,428	4,286	4,286	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	234,924	56,856	56,856	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	39,616	1,794,996	80.00	60,238	25,367	20,294	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of industrial automation products	146,440	146,440	8,000,000	100.00	474,164	288,878	291,913	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	5,567	999,999	99.99	(7,286)	(4,809)	(4,809)	Subsidiary
Advantech Corporate Investment	Netstar	Taipei, Taiwan	Production and sale of industrial automation products	-	291,196	-	-	-	48,274	48,274	Subsidiary (Note B)
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	142,063	142,063	10,000,000	100.00	172,155	(10,911)	(10,911)	Subsidiary
	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	115,203	31,095	17,102	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	-	658,000	39.69	17,758	687	274	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	2,531,790	176,298	176,298	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,871,391	146,120	146,120	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,701,532	197,346	197,346	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	316,403	11,314,280	100.00	904,500	70,484	70,484	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	46,167	3,345	3,345	Subsidiary
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	584,930	54,581	27,308	Subsidiary
	GPEG	London, UK	Design, R&D and sale of gaming computer products	-	278,641	-	-	-	(25,602)	(25,602)	Subsidiary (Note E)
GPEG	GPEG K&M Ltd.	Korea	Design, R&D and sale of gaming computer products	-	8,175	-	-	-	-	-	Equity-method investee (Note D)
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	15,334	8,731	4,453	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	1,994	797	797	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	60,425	14,786	13,982	Subsidiary
ALTC	Better Auto	BVI	General investment	264,445	264,445	8,556,096	100.00	152,495	(16,498)	(15,724)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
Better Auto	Famous Now	BVI	General investment	US$ 4,000	US$ 4,000	1	100.00	$ 112,453	$ (82,616)	$ (82,616)	Subsidiary
AdvanPOS	Bright Mind Limited	Samoa	General investment	US$ 200	US$ 200	200	100.00	378	(163)	(163)	Subsidiary

Note A: The financial statements used as basis of net asset values had been audited by independent CPAs, except those of AIN and AMX.

Note B: In the third quarter of 2014, the Company had a whale-minnow merger with Netstar, with the Company as the survivor entity. In addition, since Jan Hsiang had been owned by Netstar before the merger, Jan Hsiang became the Company's associate after the merger. Before the merger, Nestar recognized an investment gain of $1,006 thousand on Jan Hsiang. After the merger, the Company recognized an investment gain of $1,392 thousand on Jan Hsiang.

Note C: In the third quarter of 2014, AMX, which was formerly owned by ANA, became the Company's direct subsidiary as a result of investment restructuring. Before the restructuring, ANA recognized an investment loss of $1,349 thousand on AMX. After the restructuring, the Company recognized an investment loss of $20 thousand on AMX.

Note D: In the second quarter of 2014, GPEG disposed of its equity in GPEG K&M Ltd.

Note E: In the fourth quarter of 2014, GPEG merged with AEU, with AEU as the survivor entity.

Note F: Refer to Table 8 for investments in mainland China.

Note G: All intercompany gains and losses from investment have been eliminated from consolidation.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes A)	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$ 41,650 thousand (Note F)	Indirect	$ 1,180,545 (US$ 37,300 thousand)	$ -	$ -	$ 1,180,545 (US$ 37,300 thousand)	100	$ 176,298	$ 2,531,790	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$ 4,230 thousand	Indirect	168,758 (US$ 5,332 thousand)	-	-	168,758 (US$ 5,332 thousand)	100	107,296	893,156	355,493 (US$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sale of industrial automation products	US$ 8,000 thousand	Indirect	253,200 (US$ 8,000 thousand)	-	-	253,200 (US$ 8,000 thousand)	100	39,187	762,531	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100	49,740	42,732	-
Hangzhou Advantofine Automation Tech. Co., Ltd.	Processing and sale of industrial automation products	RMB 3,000 thousand	Indirect	(Note D)	-	-	(Note D)	60	110	13,659	-

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
$1,608,833 (US$50,832 thousand) (Note E)	$2,183,850 (US$69,000 thousand)	$13,522,838 (Note H)

Note A: The financial statements used as basis of net asset values had been audited.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Note 35 of the financial statements and Tables 1, 5 and 6.

Note C: Remittance by AAC (H.K.) Limited.

(Continued)

Note D: Remittance by ACN.

Note E: Included is the outflow of US$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in Guang Zhou. When this investee was liquidated in September 2005, the outward investment remittance ceased upon the approval of the Ministry of Economic Affairs (MOEA). For each future capital return, the Company will apply to the MOEA for the approval of the return as well as reduce the accumulated investment amount by the return amount

Note F: For AKMC, there was a capital increase of US$4,350 thousand out of earnings as of December 31, 2013.

Note G: The exchange rate was US$1.00=NT$31.65.

Note H: The maximum allowable limit on investment was at 60% of the consolidated net asset value of the Company.

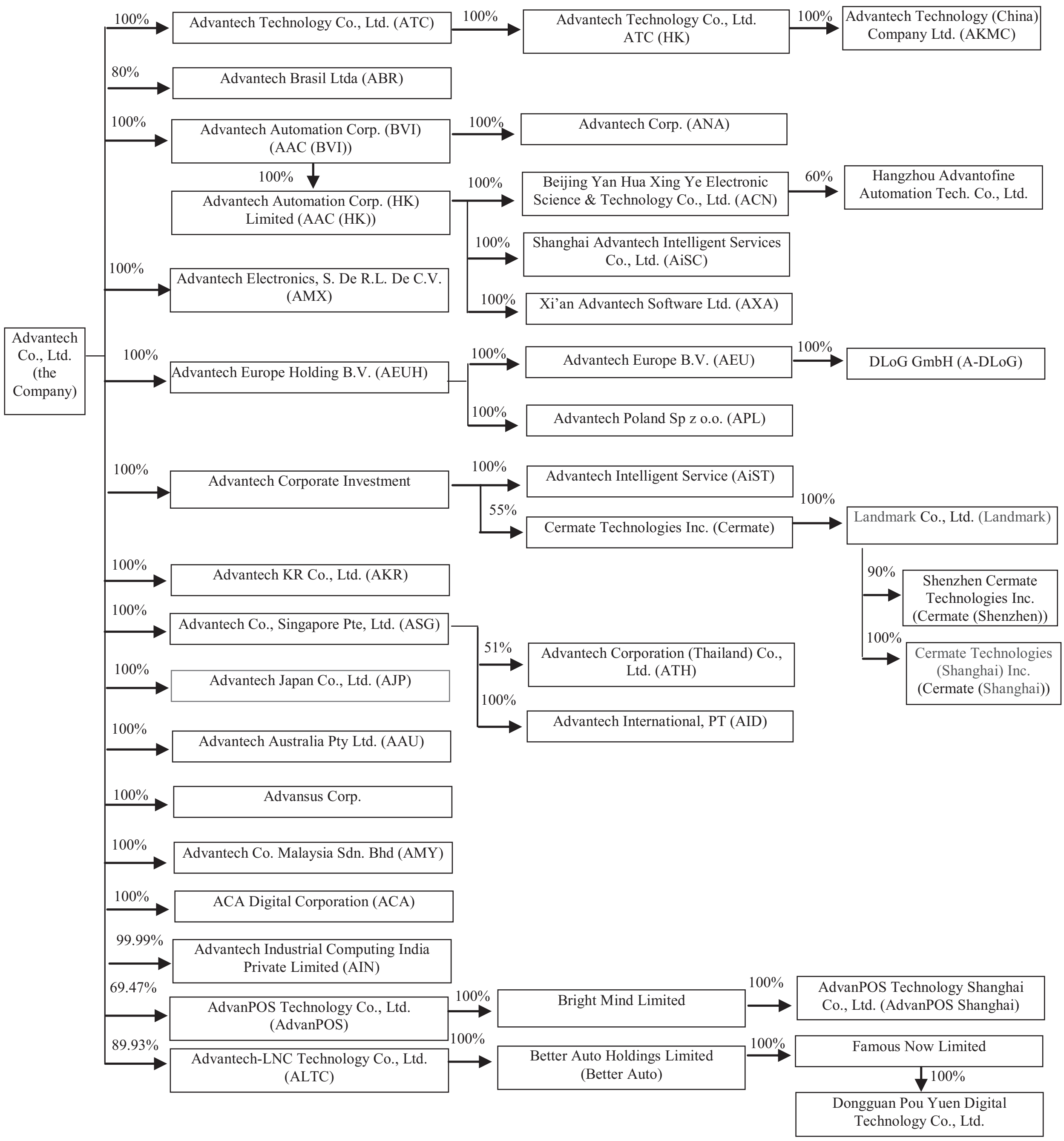
Note I: All intercompany gains and losses from investment have been eliminated from consolidation.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

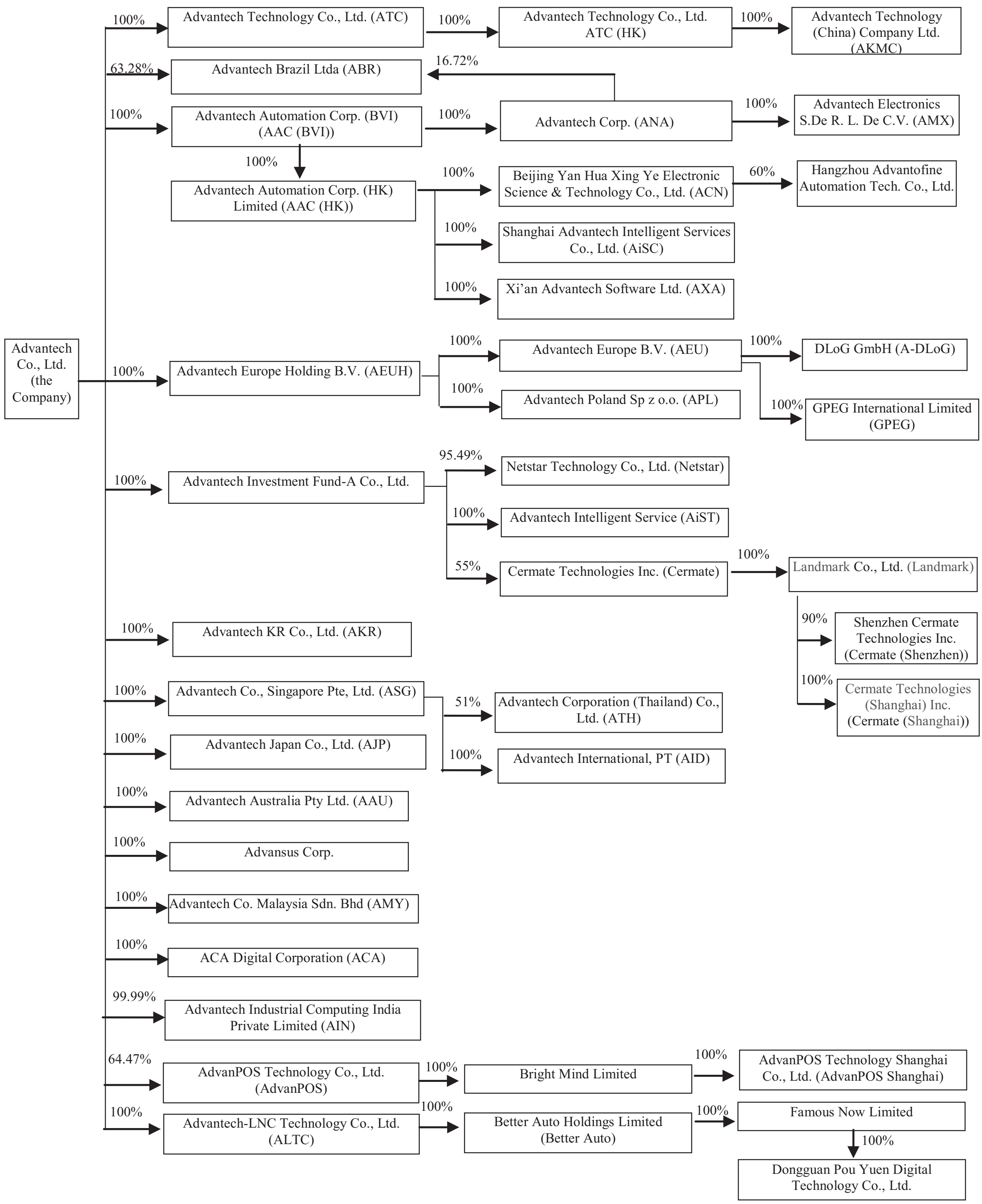
ORGANIZATION CHART
DECEMBER 31, 2014 AND 2013

Intercompany relationships and percentages of ownership as of December 31, 2014 are shown below:



(Continued)

Intercompany relationships and percentages of ownership as of December 31, 2013 are shown below:



(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	The Company	AAC(HK)	a.	Receivables from related parties	$ 25	45 days EOM	-
		AAU	a.	Other revenue	2,865	Normal	-
		AAU	a.	Receivables from related parties	53,810	60-90 days	-
		AAU	a.	Other receivables from related parties	1,048	60-90 days	-
		AAU	a.	Sales revenue	173,950	Normal	-
		ABR	a.	Other revenue	3,230	Normal	-
		ABR	a.	Receivables from related parties	70,306	90 days EOM	-
		ABR	a.	Other receivables from related parties	1,160	90 days EOM	-
		ABR	a.	Sales revenue	203,654	Normal	1
		ACA	a.	Receivables from related parties	441	30 days EOM	-
		ACA	a.	Other revenue	5,040	Normal	-
		ACN	a.	Receivables from related parties	1,408,675	45 days EOM	4
		ACN	a.	Sales revenue	4,060,692	Normal	11
		A-DLoG	a.	Other revenue	4,270	Normal	-
		A-DLoG	a.	Receivables from related parties	20,492	30 days after invoice date	-
		A-DLoG	a.	Sales revenue	78,669	Normal	-
		AEU	a.	Sales revenue	3,065,461	Normal	9
		AEU	a.	Other revenue	14,511	Normal	-
		AEU	a.	Receivables from related parties	764,758	30 days EOM	2
		AEU	a.	Other receivables from related parties	3,027	30 days EOM	-
		AEU	a.	Interest revenue	1,955	Normal	-
		AID	a.	Receivables from related parties	4,132	45 days after invoice date	-
		AID	a.	Sales revenue	8,444	Normal	-
		AIN	a.	Sales revenue	21,731	Normal	-
		AIN	a.	Receivables from related parties	37,918	60 days EOM	-
		AiSC	a.	Receivables from related parties	327,728	45 days EOM	1
		AiSC	a.	Other receivables from related parties	15	45 days EOM	-
		AiSC	a.	Sales revenue	1,083,110	Normal	3
		AJP	a.	Other revenue	3,960	Normal	-
		AJP	a.	Receivables from related parties	94,707	60-90 days	-
		AJP	a.	Other receivables from related parties	585	60-90 days	-
		AJP	a.	Sales revenue	417,124	Normal	1
		AKMC	a.	Receivables from related parties	275,995	45 days EOM	1
		AKMC	a.	Other receivables from related parties	5	45 days EOM	-
		AKMC	a.	Sales revenue	1,274,048	Normal	4
		AKR	a.	Other revenue	5,200	Normal	-
		AKR	a.	Receivables from related parties	12,545	60 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKR	a.	Other receivables from related parties	$ 639	60 days after invoice date	-
		AKR	a.	Sales revenue	594,749	Normal	2
		AMX	a.	Receivables from related parties	30	60 days EOM	-
		AMY	a.	Receivables from related parties	17,735	45 days EOM	-
		AMY	a.	Sales revenue	81,784	Normal	-
		AMY	a.	Other revenue	2,127	Normal	-
		ANA	a.	Other revenue	18,756	Normal	-
		ANA	a.	Receivables from related parties	870,711	45 days EOM	3
		ANA	a.	Other receivables from related parties	2,482	45 days EOM	-
		ANA	a.	Sales revenue	8,002,326	Normal	22
		APL	a.	Receivables from related parties	1,261	45 days EOM	-
		APL	a.	Sales revenue	11,287	Normal	-
		ASG	a.	Other revenue	2,846	Normal	-
		ASG	a.	Receivables from related parties	29,423	60-90 days	-
		ASG	a.	Other receivables from related parties	650	60-90 days	-
		ASG	a.	Sales revenue	166,839	Normal	-
		ATC	a.	Royalty revenue	439,707	Normal	1
		ATH	a.	Other revenue	2,184	Normal	-
		ATH	a.	Receivables from related parties	4,966	30 days after invoice date	-
		ATH	a.	Sales revenue	49,571	Normal	-
		Cermate	a.	Sales revenue	2,165	Normal	-
		Cermate.	a.	Receivables from related parties	266	30 days EOM	-
		Cermate	a.	Other revenue	720	Normal	-
		Advantech Corporate Investment	a.	Rental revenue	36	Normal	-
		Advantech Corporate Investment	a.	Receivables from related parties	3	30 days EOM	-
		AiST	a.	Receivables from related parties	6,517	30 days EOM	-
		AiST	a.	Sales revenue	83,824	Normal	-
		AiST	a.	Other revenue	960	Normal	-
		Advansus Corp.	a.	Rental revenue	1,640	Normal	-
		Advansus Corp.	a.	Receivables from related parties	4,903	60-90 days	-
		Advansus Corp.	a.	Sales revenue	38,815	Normal	-
		Netstar	a.	Sales revenue	3,944	Normal	-
		AdvanPOS	a.	Sales revenue	46,657	Normal	-
		AdvanPOS	a.	Receivables from related parties	7,367	60 days EOM	-
		ALTC	a.	Sales revenue	1,318	Normal	-
		ALTC	a.	Receivables from related parties	329	60-90 days	-
1	ACN	The Company	b.	Receivables from related parties	460	30 days EOM	-
		The Company	b.	Sales revenue	130	Normal	-
		AEU	c.	Sales revenue	22	Normal	-
		AEU	c.	Receivables from related parties	26	30 days EOM	-
		AiSC	c.	Sales revenue	165,603	Normal	-
		AiSC	c.	Receivables from related parties	18,743	Immediate payment	-
		AKMC	c.	Receivables from related parties	4,505	60-90 days	-
		AKMC	c.	Sales revenue	22,405	Normal	-
		AKR	c.	Receivables from related parties	3	45 days EOM	-
		AKR	c.	Sales revenue	212	Normal	-
		ANA	c.	Sales revenue	2,760	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ANA	c.	Receivables from related parties	$ 542	30 days EOM	-
		ASG	c.	Sales revenue	40	Normal	-
		AXA	c.	Receivables from related parties	1,962	60 days EOM	-
		A-DLoG	c.	Sales revenue	57	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Sales revenue	46,986	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Receivables from related parties	22,741	60 days after invoice date	-
2	AAU	The Company	b.	Receivables from related parties	1,988	60-90 days	-
		The Company	b.	Sales revenue	30	Normal	-
		The Company	b.	Other revenue	3,081	Normal	-
		AKMC	c.	Receivables from related parties	87	30 days after invoice date	-
		AKMC	c.	Sales revenue	2,513	Normal	-
		ANA	c.	Sales revenue	539	Normal	-
3	ABR	The Company	b.	Sales revenue	4	Normal	-
		The Company	b.	Receivables from related parties	2,122	30 days after invoice date	-
4	ACA	The Company	b.	Receivables from related parties	246,013	30 days EOM	1
		The Company	b.	Sales revenue	3,092,656	Normal	9
		ACN	c.	Receivables from related parties	5,051	60-90 days	-
		ACN	c.	Sales revenue	4,886	Normal	-
		AKMC	c.	Receivables from related parties	50,151	45 days EOM	-
		AKMC	c.	Sales revenue	1,101,969	Normal	3
		Advansus Corp.	c.	Receivables from related parties	89,859	45 days EOM	-
		Advansus Corp.	c.	Sales revenue	862,626	Normal	2
5	AEU	The Company	b.	Receivables from related parties	18	30 days after invoice date	-
		ANA	c.	Receivables from related parties	149	Immediate payment	-
		ANA	c.	Royalty revenue	2,282	Normal	-
		ATC	c.	Receivables from related parties	6,863	30 days after invoice date	-
6	AEUH	AEU	c.	Interest revenue	1,208	Normal	-
		AEU	c.	Receivables from related parties	1,199	30 days after invoice date	-
		AEU	c.	Other receivables from related parties	28,583	Financing	-
7	ALTC	The Company	b.	Receivables from related parties	1,135	60 days EOM	-
		The Company	b.	Rental revenue	552	Normal	-
		The Company	b.	Sales revenue	10,257	Normal	-
		Better Auto	c.	Royalty revenue	92	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Advanced receipts	184	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Sales revenue	206,625	Normal	1
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Receivables from related parties	54,536	90 days EOM	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
8	AiSC	The Company	b.	Receivables from related parties	$ 38	45 days EOM	-
		The Company	b.	Sales revenue	5,411	Normal	-
		AAC(HK)	c.	Receivables from related parties	4,048	90 days	-
		ACA	c.	Receivables from related parties	8	60 days after invoice date	-
		ACA	c.	Sales revenue	12,438	Normal	-
		ACN	c.	Receivables from related parties	27,702	Immediate payment	-
		ACN	c.	Rental revenue	2,551	Normal	-
		ACN	c.	Sales revenue	90,498	Normal	-
		AEU	c.	Receivables from related parties	25	Immediate payment	-
		AKMC	c.	Sales revenue	159,766	Normal	-
		AKMC	c.	Receivables from related parties	38,630	30 days EOM	-
		ANA	c.	Sales revenue	729	Normal	-
		ASG	c.	Sales revenue	411	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Sales revenue	6,987	Normal	-
9	AJP	The Company	b.	Receivables from related parties	2,617	60-90 days	-
		The Company	b.	Sales revenue	262	Normal	-
		ACN	c.	Receivables from related parties	9	45 days EOM	-
		ACN	c.	Sales revenue	10	Normal	-
10	AKMC	ACN	c.	Rental revenue	4,403	Normal	-
		ACN	c.	Sales revenue	226,989	Normal	1
		ACN	c.	Receivables from related parties	45,896	60-90 days	-
		AEU	c.	Sales revenue	339	Normal	-
		AEU	c.	Receivables from related parties	187	30 days after invoice date	-
		AiSC	c.	Sales revenue	169,218	Normal	-
		AiSC	c.	Receivables from related parties	32,051	Immediate payment	-
		AKR	c.	Sales revenue	67	Normal	-
		ANA	c.	Sales revenue	983	Normal	-
		ANA	c.	Receivables from related parties	137	60-90 days	-
		ATC	c.	Receivables from related parties	682,596	60-90 days	2
		ATC	c.	Sales revenue	8,862,230	Normal	25
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Receivables from related parties	50	60 days end of next month	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Sales revenue	47	Normal	-
		Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Receivables from related parties	57	60-90 days	-
		Advansus Corp.	c.	Receivables from related parties	551	Immediate payment	-
		Advansus Corp.	c.	Sales revenue	11,686	Normal	-
		AdvanPOS	c.	Sales revenue	2,123	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	c.	Sales revenue	14	Normal	-
		Netstar	c.	Sales revenue	126,790	Normal	-
		AdvanPOS	c.	Receivables from related parties	1,234	30 days EOM	-
11	AKR	The Company	b.	Receivables from related parties	127	90 days EOM	-
		The Company	b.	Sales revenue	671	Normal	-
		AKMC	c.	Sales revenue	82	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKMC	c.	Receivables from related parties	$ 82	30 days after invoice date	-
		ANA	c.	Receivables from related parties	156	45 days after invoice date	-
		ANA	c.	Sales revenue	280	Normal	-
12	AMY	ASG	c.	Receivables from related parties	36	30 days EOM	-
		ASG	c.	Other revenue	448	Normal	-
		ATH	c.	Other revenue	4	Normal	-
13	ANA	The Company	b.	Receivables from related parties	26,948	45 days EOM	-
		The Company	b.	Sales revenue	37,686	Normal	-
		AAU	c.	Sales revenue	149	Normal	-
		AAU	c.	Receivables from related parties	27	60 days after invoice date	-
		ACA	c.	Sales revenue	111,294	Normal	-
		ACA	c.	Receivables from related parties	25,448	60 days EOM	-
		AEU	c.	Sales revenue	71,411	Normal	-
		AEU	c.	Receivables from related parties	112	60-90 days	-
		AKMC	c.	Interest revenue	2,682	Normal	-
		AKMC	c.	Receivables from related parties	1,600	30 days EOM, Financing	-
		AKMC	c.	Other receivables from related parties	129,765	Financing	-
		AKMC	c.	Sales revenue	8,102	Normal	-
		AMY	c.	Sales revenue	4	Normal	-
		ASG	c.	Sales revenue	99	Normal	-
		ATH	c.	Sales revenue	106	Normal	-
		Advansus Corp.	c.	Sales revenue	138	Normal	-
		AdvanPOS	c.	Sales revenue	21	Normal	-
14	APL	The Company	b.	Receivables from related parties	788	30 days after invoice date	-
		The Company	b.	Sales revenue	59	Normal	-
		AEU	c.	commission revenue	8,500	Normal	-
		AEU	c.	Receivables from related parties	30,459	30 days after invoice date	-
		AEU	c.	Sales revenue	46,478	Normal	-
		AKMC	c.	Receivables from related parties	3	60 days end of next month	-
15	ASG	The Company	b.	Receivables from related parties	28	60-90 days	-
		The Company	b.	Sales revenue	1,268	Normal	-
		The Company	b.	Other revenue	9,837	Normal	-
		AAU	c.	Receivables from related parties	9	45 days after invoice date	-
		AID	c.	Sales revenue	769	Normal	-
		AID	c.	Other revenue	58	Normal	-
		AMY	c.	Other revenue	4	Normal	-
		AMY	c.	Receivables from related parties	617	30 days EOM	-
		AMY	c.	Sales revenue	7,485	Normal	-
		ANA	c.	Sales revenue	177	Normal	-
		ATH	c.	Sales revenue	4,961	Normal	-
		ATH	c.	Other revenue	3,763	Normal	-
		ATH	c.	Receivables from related parties	265	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
16	ATC	The Company	b.	Receivables from related parties	$ 1,677,543	60 days EOM	5
		The Company	b.	Sales revenue	9,491,663	Normal	27
		AKMC	c.	Receivables from related parties	17,908	60-90 days	-
		AKMC	c.	Sales revenue	67,630	Normal	-
17	AXA	ACN	c.	Sales revenue	91,187	Normal	-
		AiSC	c.	Sales revenue	14,268	Normal	-
18	A-DLoG	The Company	b.	Receivables from related parties	7,583	30 days after invoice date	-
		The Company	b.	Sales revenue	36,143	Normal	-
		AAU	c.	Receivables from related parties	25	30 days after invoice date	-
		AAU	c.	Sales revenue	194	Normal	-
		AEU	c.	Sales revenue	1,126	Normal	-
		AEU	c.	Receivables from related parties	422	30 days upon delivery	-
		AKR	c.	Sales revenue	1,143	Normal	-
		ANA	c.	Sales revenue	443	Normal	-
		ASG	c.	Sales revenue	1,383	Normal	-
19	AEU	The Company	b.	Receivables from related parties	1,044	30 days EOM	-
		The Company	b.	Sales revenue	1,619	Normal	-
		AAU	c.	Sales revenue	107	Normal	-
		ACN	c.	Receivables from related parties	128	30 days after invoice date	-
		A-DLoG	c.	Receivables from related parties	593	30 days upon delivery	-
		A-DLoG	c.	Sales revenue	15,507	Normal	-
		AKMC	c.	Receivables from related parties	518	30 days EOM	-
		AKR	c.	Sales revenue	51	Normal	-
		AMY	c.	Sales revenue	34	Normal	-
		ANA	c.	Sales revenue	49,050	Normal	-
		ANA	c.	Receivables from related parties	7,578	30 days after invoice date	-
		APL	c.	Receivables from related parties	60	30 days EOM	-
		APL	c.	Sales revenue	1,498	Normal	-
		ATC	c.	Receivables from related parties	442	30 days after invoice date	-
20	Cermate (Shenzhen)	ACN	c.	Receivables from related parties	2	Cash on delivery	-
		ACN	c.	Sales revenue	13	Normal	-
		AKMC	c.	Receivables from related parties	2,505	40 days EOM	-
		AKMC	c.	Sales revenue	36,404	Normal	-
		Cermate (Shanghai)	c.	Sales revenue	27,883	Normal	-
		Cermate	c.	Sales revenue	25,121	Normal	-
		Cermate	c.	Receivables from related parties	1,624	60 days EOM	-
21	Cermate	The Company	b.	Receivables from related parties	248	30-60 days	-
		The Company	b.	Sales revenue	7,409	Normal	-
		Cermate (Shenzhen)	c.	Receivables from related parties	13,141	30 days EOM	-
		Cermate (Shenzhen)	c.	Sales revenue	83,232	Normal	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
22	Cermate (Shanghai)	Cermate (Shenzhen)	c.	Advanced receipt	$ 9,128	Financing	-
		Cermate (Shenzhen)	c.	Sales revenue	766	Normal	-
23	Advansus Corp.	The Company	b.	Receivables from related parties	459,774	60-90 days	1
		The Company	b.	Sales revenue	1,411,676	Normal	4
		ACA	c.	Receivables from related parties	15,680	30 days EOM	-
		ACA	c.	Sales revenue	226,064	Normal	1
		AKMC	c.	Receivables from related parties	475,760	60-90 days	2
		AKMC	c.	Sales revenue	1,346,097	Normal	4
		AKR	c.	Receivables from related parties	7,757	60-90 days	-
		AKR	c.	Sales revenue	136,379	Normal	-
		ANA	c.	Sales revenue	129	Normal	-
		AdvanPOS	c.	Receivables from related parties	618	60 days EOM	-
		AdvanPOS	c.	Sales revenue	3,372	Normal	-
24	Netstar	The Company	b.	Sales revenue	64,168	Normal	-
		AJP	c.	Sales revenue	1,015	Normal	-
		AKMC	c.	Sales revenue	3,018	Normal	-
		ANA	c.	Sales revenue	1,887	Normal	-
25	AAC(HK)	The Company	b.	Receivables from related parties	760	45 days EOM	-
		The Company	b.	Other revenue	4,357	Normal	-
26	Advantech Corporate Investment	ALTC	c.	Interest revenue	31	Normal	-
		AdvanPOS	c.	Receivables from related parties	100,000	Financing	-
		AdvanPOS	c.	Interest revenue	1,150	Normal	-
27	AIN	The Company	b.	Receivables from related parties	485	60 days EOM	-
		The Company	b.	Other revenue	764	Normal	-
28	AID	The Company	b.	Other revenue	1,483	Normal	-
		The Company	b.	Receivables from related parties	17	60 days EOM	-
		ASG	c.	Other revenue	1,322	Normal	-
29	AiST	The Company	b.	Receivables from related parties	2,160	60 days EOM	-
		The Company	b.	Sales revenue	2,536	Normal	-
		ACN	c.	Sales revenue	247	Normal	-
		ACN	c.	Receivables from related parties	250	90 days EOM	-
30	AMX	The Company	b.	Receivables from related parties	298	Immediate payment	-
		The Company	b.	Other revenue	3,397	Normal	-
31	AdvanPOS	The Company	b.	Receivables from related parties	196	60 days EOM	-
		The Company	b.	Sales revenue	966	Normal	-
		AiSC	c.	Sales revenue	12,906	Normal	-
		AiSC	c.	Receivables from related parties	1,445	30 days after invoice date	-
		AKMC	c.	Receivables from related parties	12	30 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKMC	c.	Sales revenue	$ 73	Normal	-
		ATH	c.	Receivables from related parties	97	30 days after invoice date	-
		ATH	c.	Sales revenue	1,349	Normal	-
		Cermate	c.	Sales revenue	6	Normal	-
		Cermate	c.	Receivables from related parties	6	30 days EOM	-
		AiST	c.	Sales revenue	310	Normal	-
		AiST	c.	Other revenue	2	Normal	-
		AdvanPOS	c.	Receivables from related parties	2,634	30 days after invoice date	-
32	Better Auto	Dongguan Pou Yuen Digital Technology Co., Ltd.	c.	Receivables from related parties	23,106	Financing	-
33	AdvanPOS Shanghai	AdvanPOS	c.	Sales revenue	3,213	Normal	-
34	Dongguan Pou Yuen Digital Technology Co., Ltd.	ALTC	c.	Receivables from related parties	1,642	90 days EOM	-
35	GPEG	AEU	c.	Sales revenue	4,862	Normal	-
		AEU	c.	Royalty revenue	1,195	Normal	-

Note A: The parent company and its subsidiaries are numbered as follows:

a. "0" for Advantech Co., Ltd.
b. Subsidiaries are numbered from "1".

Note B: The flow of related-party transactions is as follows:

a. From the parent company to its subsidiary.
b. From the subsidiary to its parent company.
c. Between subsidiaries.

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2014, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2014.

Note D: All intercompany transactions have been eliminated from consolidation.

(Concluded)

VI. Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None

VII. Review and Analysis of Financial Conditions and Performance and Risk Management

I. Financial Conditions:

Unit: NT$ Thousand

Item \ Year	2014	2013	Difference	
			Amount	%
Current assets	17,990,032	15,411,630	2,578,402	17
Property, plant, and equipment	8,876,606	7,941,679	934,927	12
Intangible assets	286,312	326,617	(40,305)	(12)
Other assets	4,390,870	3,856,158	534,712	14
Total assets	31,543,820	27,536,084	4,007,736	15
Current liabilities	7,853,899	7,205,324	648,575	9
Noncurrent liabilities	1,151,857	910,570	241,287	26
Total liabilities	9,005,756	8,115,894	889,862	11
Capital stock	6,312,091	5,694,000	618,091	11
Additional paid-in capital	5,306,958	4,995,635	311,323	6
Retained earnings	9,830,382	8,514,157	1,316,225	15
Other equity	901,633	54,507	847,126	1554
Non-controlling equity	187,000	161,891	25,109	16
Total equity	22,538,064	19,420,190	3,117,874	16
Reasons for changes in assets, liabilities, and shareholders' equity within the last two years (any change over 20% and amounted to NT$10 million) and its impact. If the impact is significant, please state the countermeasures in the future: Noncurrent liabilities: It is due to the estimated income tax liabilities for the unappropriated earnings of the subsidiaries. Other equity: It is due to the soaring stock price this year with gains on valuation recognized.				

II. Operating results

Unit: NT$ Thousand

Item \ Year	2014	2013	Increased or decreased amount	Ratio change (%)
Operating income	35,731,699	30,660,034	5,071,665	17
Operating cost	21,339,035	18,074,403	3,264,632	18
Gross profit	14,392,664	12,585,631	1,807,033	14
Operating expense	8,884,179	7,917,481	966,698	12
Operating profit	5,508,485	4,668,150	840,335	18
Non-operating income and expense	546,621	500,396	46,225	9
Net income before tax	6,055,106	5,168,546	886,560	17
Income tax expense	1,123,096	1,041,337	81,759	8
Net income	4,932,010	4,127,209	804,801	19
Annual other comprehensive profit and loss (Net)	840,008	(14,730)	854,738	(5803)
Annual total comprehensive net income	5,772,018	4,112,479	1,659,539	40
Net income attributable to the shareholder's equity of the parent company	4,907,782	4,106,397	801,385	20
Total comprehensive profit and loss attributable to the shareholder's equity of the parent company	5,750,571	4,087,236	1,663,335	41

Reasons for changes in operating income, operating net income, and net income before tax within the last two years (any change over 20% and amounted to NT$10 million):
The Annual comprehensive other profit and loss and Annual total comprehensive net income:
It is due to the soaring stock price this year with gains on valuation recognized.

III. Cash Flow

(I) Liquidity Analysis within the last 2 years

Item \ Year	2014	2013	Increase (decrease) percentage (%)
Cash flow ratio (%)	62.53	68.98	(6.45)
Cash Flow Adequacy Ratio (%)	89.33	95.40	(6.07)
Cash Flow Re-investment Ratio (%)	8.31	11.86	(3.55)
Changes in the increase and decrease percentage: (Analysis is exempted for any change less than 20%):			

(II) Cash liquidity analysis for next year

Cash balance – beginning (1)	Estimated annual net cash flow from operating activities (2)	Estimated annual cash outflow (3)	Cash balance (deficit) - (1)+(2)+(3)	Contingency plans for insufficient cash	
				Investment plan	Financial Plan
3,122,007	6,050,000	(5,900,000)	3,272,007	--	--
Cash liquidity analysis for next year: 1. The net cash inflow of NT$605,000 thousand from operating activities is mainly due to the 2015 net income. 2. The annual net cash outflow of NT$5,900,000 thousand is mainly due to the net effect of cash dividends distributed.					

IV. The impact of material capital expenditure on financial business in the most recent year:

The Company's board of directors had resolved on December 30, 2010 to purchase 10,427.18-ping land at an industrial park in Guishan Township, Taoyuan County for an amount of NT$1,581,941 thousand as the base for future expansion.
The development of the zone is divided into two phases. In the first phase, the construction of the 3,000-ping base was completed in March 2013 with a full-featured smart and green energy plant-office building constructed. The warehousing / manufacturing / R&D functions are integrated to provide customers with a comprehensive integrated service.
Phase II construction floor area of 18,506.21-ping for a cost of NT$1.55 billion is expected to be completed in April 2015. The entire industrial park upon completion will become the manufacturing and R&D headquarters in Taiwan. Also, the park is demonstrated as an intelligent building to promote the intelligent architecture industry development.

V. Reinvestment policy in the most recent year, the reasons for profit or loss resulted, its improvement plan, and next year's investment plan:

VI. Risk analysis and evaluation

(I) Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures:
The Company has sufficient proprietary capital and sound financial structure; therefore, is from the risk of increasing capital cost.
The capital planning is based on a conservative and sound principle with the focus on the security and mobility; also, regularly evaluate money market rates and financial information.
In terms of exchange rate, the Company has a clear foreign exchange policy stipulated; also, a strict control of the procedures is for hedging risk instead of adopting active operation to gain profits.
In terms of inflation, the main sales markets of the Company are without any sign of inflation in recent years, which has not significant impact on the Company's operations.

(II) Engage in the policies of high-risk, highly-leveraged investments, loaning of funds, endorsements and guarantees, and derivative transactions, the reasons for profit or loss resulted, and the future countermeasures:
The Company has each investment project evaluated prudently and handled in accordance with the "Procedures for the Acquisition and Disposal of Assets" and the limits of authority without engaging in any high-risk and highly-leveraged investments.
In terms of loaning of funds and making of endorsements/guarantees, it is mainly arranged for the subsidiaries and sub-subsidiaries of the Company; also, it is to be processed in accordance with the Company's "Procedures for Loaning of Funds" and "Procedures for Making of Endorsements/Guarantees."
In terms of financial derivatives, the purpose is to hedge the exchange rate risks arising from business operation; also, it is to be processed in accordance with the Company's "Procedures for the Trading of Financial Derivatives."

(III) Future R&D plans and the projected R&D investment:

1. Future R&D plans:

(1) IoT sensing devices and related applications

(2) IoT-WISE Cloud (PaaS – Platform as a Service)
(3) Industry 4.0, factory automation related equipment
(4) Smart robot and control platform of visual inspection
(5) Smart retail-related system equipment
(6) Smart transportation and digital logistics related system equipment
(7) architecture energy-saving management system
(8) Smart medical service system and healthcare monitoring platform
(9) Industrial communication equipment
(10) Telecommunications and communications network equipment

2. The projected R&D investment: 9% of the annual turnover

(IV) The impact of significant changes in domestic and foreign policies and law on the Company's financial operations and the countermeasures:

There had not any significant changes in domestic and foreign policies and law that had a significant impact on the Company in the most recent year. In addition to irregularly collect and assess the impact of significant changes in domestic and foreign policies and law on the Company's finance and business operation, the Company will consult relevant professionals to take countermeasures in a timely manner.

(V) The impact of changes in technology and industry on the Company's financial operations and the countermeasures:

The worldwide Internet of Things (IoT) market promises exponential growth in the coming years. The IoT not only changes the user's behavior, but also brings a variety of business opportunities for industrial applications. With over 30 years experiences in high-performance industrial PCs, Advantech keeps investing in core software competences, and providing customer-oriented solution ready packages (SRPs). Advantech is catching up the coming big wave of IoT.

Due to the impact of rising labor wages and the awareness of energy conservation, there is growing pressure to increase manufacturing automation. Advantech, being a global leader in IPC and control devices applied in manufacturing automation, has made significant investments in controllers, machine visions and predictive maintenance related software capabilities through merger and cooperation with partners.

There are comprehensive applications of smart city, not only in manufacturing but in the areas of retail, healtcare, transportation, building or logistics, etc. Advantech Intelligent Service (AiS) Business Group is responsible for digging into these industrial applications, and clearifying the user cases. Leveraging corporate software modules, Advantech has quick responses to fulfill diversified market demands and provide a wide array of solutions to our customers. To realize our corporate vision of Enabling an Intelligent Planet, Advantech will continue collaborating and partnering for smart city & IoT solutions.

(VI) The impact of changes in corporate image on the crisis management of the Company and the countermeasures:

The Company is with a good corporate image. In addition to irregularly receive domestic and international juristic persons, technical symposium and corporate seminars are held on a regular basis to help the investors and customers understand the Company.

(VII) The expect benefit of initiating acquisition, the possible risks, and the countermeasures: None

(VIII) The expected benefits of a plant expansion, the possible risks, and the countermeasures:

The Company began in 2012 the State I expansion plan at the Headquarters in Guishan, Taoyuan

County. A building with 6-floor above ground and 3-floor underground for a constructed area over 5,000-ping was to be constructed on the 3,000-ping land. Upon the completion of the construction, the currently leased 2,000-ping Pegatron Factory and warehousing facility in Guishan will be relocated to the headquarters with an expectation to save $20 million rent a year directly and improve operational efficiency at the same time.

Under the consideration of the slow increase in needs and the possible change in international economic situation, the overall construction of the park is divided into two phases and the timing for construction is to be determined depending on the actual practice.

(IX) Risks faced by the centralized purchase or sales and the countermeasures:

The Company's main source of raw materials is from the well-known domestic and international manufacturers that have a good reputation and product quality; also, have maintained a stable relation of cooperation with the Company and provide a stable supply of raw materials. In terms of sales, the Company is a market leader in brand with a smooth sales channel I service; therefore, the Company is free of any risk from the centralized purchase and sale.

(X) The impact of the massive equity transfer or exchange by the directors, supervisors, or shareholders holding more than 10% shareholding on the Company, the risk, and the countermeasures: None

(XI) The impact of the changes in the ownership on the Company, the risk, and the countermeasures: None

(XII) For litigation or non-litigation events, the closed or in-pending material litigation, non-litigation, or administrative contentious events, which may have a significant impact on the shareholder's equity or security price, of the Company, the Company's directors, supervisors, President, responsible person, shareholders holding more than 10% shareholding, and the subsidiaries should be illustrated: None

(XIII) Other important risks and countermeasures: None

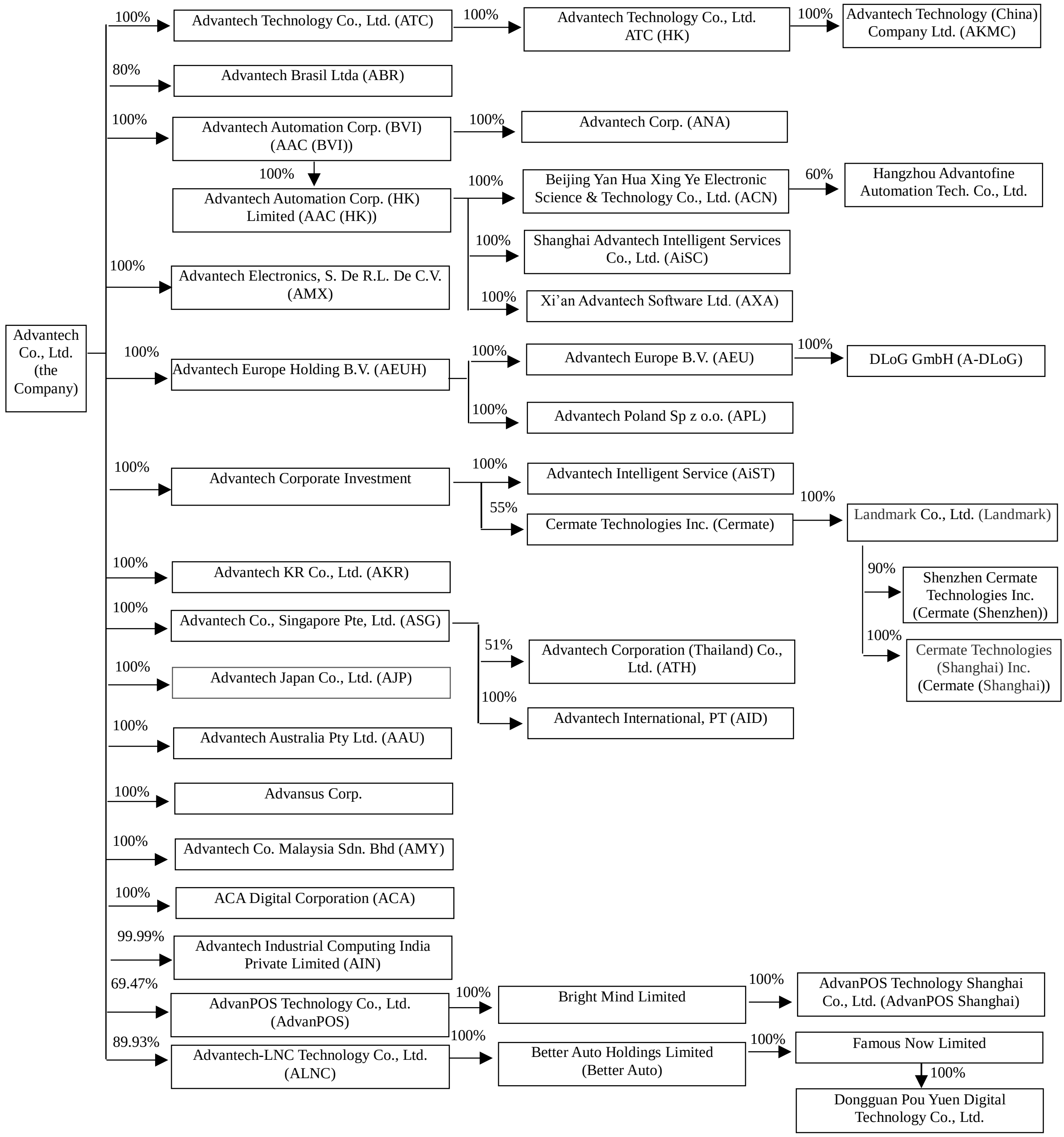
VII. Other Important matters: None

VIII. Supplementary disclosures

I. Affiliated company's information

(I) Affiliated company's Consolidated Business Report

Organization Chart of the Affiliated Companies



2. Basic information of affiliated companies

Unit: NT$ Thousand

No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items
01	Advansus Corp.	Jan. 2006	Taipei	NTD360,000	Manufacturing, marketing, and trade of industrial use PC
02	Advantech Corporate Investment	Feb. 2000	Taipei	NTD1,000,000	Investment in marketable securities
03	Hangzhou Advantofine Automation Tech Co.,Ltd.	Sep. 2007	Hangzhou	RMB3,000	Processing and sale of computer peripheral components
04	Advantech Co. Singapore Pte, Ltd. (ASG)	Dec. 1995	Techplace, Singapore	SGD1,450	Marketing and trade of industrial use PC
05	Advantech Japan Co.,Ltd. (AJP)	Sep. 1997	Tokyo, Japan	JPY60,000	Marketing and trade of industrial use PC
06	Advantech Australia Pty Ltd. (AAU)	Dec. 1994	Sydney, Australia	AUD500	Marketing and trade of industrial use PC
07	Advantech Co. Malaysia Sdn. Bhd (AMY)	Mar. 2006	Malaysia	MYR2,000	Marketing and trade of industrial use PC
08	Advantech Europe Holding B.V. (AEUH)	Dec. 1995	Helmond, The Netherlands	EUR12,572	Overseas investment of manufacturing and service industry
09	Advantech Technology Co., Ltd. (ATC)	Sep. 1998	British Virgin Islands	USD38,750	Marketing and trade of industrial use PC
10	Advantech Automation Corp.(AAC（BVI）)	Mar. 2000	British Virgin Islands	USD29,623	Overseas investment of manufacturing and service industry
11	Advantech Europe B.V.(AEU)	Jun. 1998	Helmond, The Netherlands	EUR11,314	Marketing and trade of industrial use PC
12	Advantech Poland Sp. z.o.o(APL)	Jan. 2006	Warsaw, Poland	PLZ3,350	Marketing and trade of industrial use PC
13	Advantech Technology (China) Company., Ltd.(AKMC)	Jan. 2006	Jiangsu Province	USD41,650	Marketing and trade of industrial use PC
14	Advantech Corporation (ANA)	Aug. 1987	Sunnyvale, USA	USD11,139	Assembly, marketing, and trade of industrial use PC
15	Beijing Yan Hua Xing Ye Electronics Science &Technology Co.,Ltd.(ACN)	Apr. 1994	Beijing City	USD4,230	Marketing and trade of industrial use PC
16	Advantech Technology (HK) Co., Limited(ATC HK)	Apr. 2008	Hong Kong	USD41,650	Overseas investment of manufacturing and service industry
17	Advantech Automation Corp.(HK) Limited (AAC HK)	Dec. 2007	Hong Kong	USD15,230	Overseas investment of manufacturing and service industry
18	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sep. 2008	Shanghai City	USD8,000	Marketing and trade of industrial use PC
19	Xi’An Advantech Software Co., Ltd. (AXA)	Sep. 2008	Xi’an	USD1,000	Marketing and trade of industrial use PC

No.	Name	Establishing date	Address	Paid-in capital	Main Business or Production Items
20	Advantech Brazil S/A (ABR)	Apr. 2000	Sao Paulo, Brazil	BRL2,244	Marketing and trade of industrial use PC
21	Advantech Intelligent Service.	Dec. 2009	Taipei City	NTD100,000	Marketing and trade of industrial use PC
22	Advantech KR Co., Ltd.	Feb. 2009	Seoul Korea	KRW300,000	Marketing and trade of industrial use PC
23	DLoG GmbH	Oct. 1984	Munich, Germany	EUR512	The industrial on-board computer product design, R&D, sales, and trading
24	Cermate Technology Inc.	Mar. 2003	Taipei City	NTD100,000	Electronic Components Manufacturing Industry
25	Advantech Corporation (Thailand) Co., Ltd.	Aug. 2004	Thailand	THB10,000	The production and manufacturing of computer products
26	LandMark Co., Ltd.	May. 2007	Samoa	USD977	Investment company
27	Cermate Technologies (Shanghai) Inc.	Aug. 2007	Shanghai City	RMB3,903	Networking Electronic Equipment for industrial use
28	Shenzhen Cermate Technologies Inc.	Nov. 2003	Shenzhen City	RMB2,000	The production of LCD touch screen, USB data cable, and industrial use PC
29	ACA Digital Corporation.	Jan. 2011	Taipei City	NTD80,000	Portable computer products for industrial use
30	PT. Advantech International (AID)	Mar.2012	Indonesia	USD300	Marketing and trade of industrial use PC
31	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Dec. 2012	India	INR10,000	Marketing and trade of industrial use PC
32	Advantech Electronics, S.De R.L.De C. (AMX)	Dec. 2012	Mexico	MXN2,057	Marketing and trade of industrial use PC
33	AdvanPOS Technology Co., Ltd..	Oct. 2005	New Taipei City	NT199,560	Manufacturing and trading of endpoint sales system
34	Bright Mind Limited.	--	Samoa	USD200	Investment company
35	AdvanPOS Technology Shanghai Co.,Ltd.	--	Shanghai City	USD200	The sales of computer software
36	Advantech-LNC Technology Co.,Ltd.	Aug. 2007	Taichung City	NT300,000	manufacturing and trading of controllers
37	Better Auto Holdings Limited	Sep. 2007	British Virgin Islands	USD8,556	Investment company
38	Famous Now Limited	--	British Virgin Islands	USD4,000	Investment company
39	Dongguan Pou Yuen Digital Technology Co.,Ltd. Co., Ltd.	Sep. 2009	Dongguan City	USD4,000	The manufacturing and trading of controllers

3. The Company does not have any other affiliated companies with a presumed controlling and dependency relationship according to Article 369.3 of the Company Law.
4. The overall affiliated company’s business operation covers the assembly of the computer, the marketing and sales, the trade of electronic control automation system equipment, the manufacturing, trade, and production of automation control equipment engineering, and the overseas investment of the service industry.
The division of labor among the affiliated companies is as follows:
A. Purchase of finished goods (including three-way trade)
B. Purchasing raw materials

5. Each affiliated company's Director, Supervisor, and President:

No.	Company Name	Title	Name or representative	Shareholding: Shares or investment amount (NT$ Thousand)	Shareholding: Shareholding or investment ratio (%)
01	Advansus Corp.	Director	Representatives of Advantech: K.C. Liu , William Tseng, Eric Chen	36,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
02	Advantech Corporate Investment .	Director	Representatives of Advantech: K.C. Liu, Mary Chang, William Tseng	100,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
03	Hangzhou Advantofine Automation Tech Co.,Ltd.	Director	Chi Hsu (To-Feng), Jun Liu (To-Feng), Chaney Ho (Advantech), Nan Chi (Advantech)	RMB3,000	60
		Supervisor	Jun Shi (Advantech), Yen Pu (To-Feng)		
04	Advantech Co. Singapore Pte, Ltd. (ASG)	Director	Representatives of Advantech: K.C. Liu, David Soon	1,450,000 shares	100
05	Advantech Japan Co., Ltd. (AJP)	Director	Representatives of Advantech: K.C. Liu, A-Shih Ong	1,200 shares	100
		Supervisor	Representatives of Advantech: Mary Chang		
		President	Chaney Ho		
06	Advantech Australia Pty Ltd. (AAU)	Director	Representatives of Advantech: David Soon, Santo Gazzo	500,204 shares	100
07	Advantech Co. Malaysia Sdn. Bhd (AMY)	Director	Representatives of Advantech: K.C. Liu, David Soon, Chaney Ho, Ng Hock Chuan, Choong Beng Chou	2,000,000 shares	100
08	Advantech Europe Holding B.V. (AEUH)	Director	Representatives of Advantech: K.C. Liu	12,572,024 shares	100
09	Advantech Technology Co., Ltd. (ATC)	Director	Representatives of Advantech: K.C. Liu	38,750,000 shares	100
10	Advantech Automation Corp.(AAC BVI)	Director	Representatives of Advantech: K.C. Liu	29,623,834 shares	100
11	Advantech Europe B.V.(AEU)	Director	Representatives of Advantech Europe Holding B.V.: K.C. Liu	11,314,280 shares	100
12	Advantech Poland Sp. z.o.o(APL)	Director	Representative of Advantech Europe Holding B.V.: Jeff Shy	6,350 shares	100
13	Advantech Technology (China) Company., Ltd. (AKMC)	Director	Representative of Advantech Europe Holding B.V.: K.C. Liu, Shun-Long Chen, Chaney Ho	USD37,300	100

No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount (NT$ Thousand)	Shareholding or investment ratio (%)
14	Advantech Corporation (ANA)	Director	Representative of Advantech Automation Corp.: K.C. Liu	10,952,606 shares	100
		President	K.C. Liu		
15	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd ACN	Director	Representative of Advantech Automation Corp.: K.C. Liu, Chaney Ho, Shih-Yang Tsai	USD5,332	100
16	Advantech Technology(HK) Co., Limited (ATC HK)	Director	K.C. Liu	41,650,001 shares	100
17	Advantech Automation Corp.(HK) Limited (AAC HK)	Director	Representative of Advantech Automation Corp.: K.C. Liu	15,230,001 shares	100
18	Shanghai Advantech Intelligent Services Co., Ltd. AiSC	Director	Representative of Advantech Automation Corp.(HK): K.C. Liu	USD8,000	100
		Supervisor	EricChen		
		President	Chaney Ho		
19	Xi'An Advantech Software Co., Ltd. AXA	Director	Representative of Advantech Automation Corp.(HK): K.C. Liu	USD1,000	100
		Supervisor	Chaney Ho		
20	Advantech Brazil S/A (ABR)	Director	Advantech Co., Ltd. Representative:Mario Franco Neto	1,794,996 shares	80
21	Advantech Intelligent Service. AiST	Director	Representatives of Advantech: K.C. Liu, Ming-Chin Wu, William Tseng	10,000,000 shares	100
		Supervisor	Jessica Tsai		
22	Advantech KR Co., Ltd.	Director	Representatives of Advantech: K.C. Liu, ChaneyHo, YJ Choi	600,000 shares	100
		Supervisor	Representatives of Advantech: Eric Chen		
23	DLoG GmbH (A-DLoG)	President	K.C. Liu	1 share	100
24	Cermate Technology Inc..	Director	Representatives of Advantech: Albert Huang, William Tseng, Representative of Wen Xin International Investment Company: Chunsen Li, Shiqiang Jiang	5,500,000 shares	55
		Supervisor	Yuzhen Liu		
25	Advantech Corporation (Thailand) Co., Ltd.	Director	Representative of Advantech Co. Singapore Pte, Ltd.: KC. Liu, David Soon	51,000 shares	51
26	LandMark Co., Ltd.	Director	Yuling Liu	972,284 shares	100

No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount (NT$ Thousand)	Shareholding or investment ratio (%)
27	Cermate Technologies (Shanghai) Inc.	Director	Albert Huang	USD572	100
		Supervisor	Jun Shi		
28	Shenzhen Cermate Technologies Inc.	Director	Albert Huang	USD308	90
		Supervisor	Shiqiang Jiang		
29	ACA Digital Corporation.	Director	Representatives of Advantech: K.C. Liu, Mary Chang, William Tseng	8,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
30	PT. Advantech International (AID)	Director	Representative of Advantech Co. Singapore Pte, Ltd. (ASG): K.C. Liu	300,000 shares	100
31	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Director	Representative of Advantech: K.C. Liu, Chaney Ho	999,999 shares	99.99
32	Advantech Electronics, S.De R.L.De C. (AMX)	Director	Representative of Advantech Corporation.(ANA): K.C. Liu	MAX884	100
33	AdvanPOS Technology Co., Ltd.	Director	Representative of Advantech: K.C. Liu, WilliamTseng, Kenny Deng	13,905,182 shares	69.47
		Supervisor	Representatives of Advantech: Jessica Tsai		
34	Bright Mind Limited.	Director	Moorris Hsu	USD200	100
35	AdvanPOS Technology Shanghai Co.,Ltd.	Director	Moorris Hsu	USD200	100
36	Advantech LNC Technology Co., Ltd.	Director	Representative of Advantech: K.C. Liu, Alber Huang, Michael Kuo	26,980,000 Shares	89.93
		Supervisor	Representatives of Advantech: Jessica Tsai		
37	Better Auto Holdings Limited	Director	Representative of Advantech LNC Technology Co., Ltd.: K.C. Liu	USD8,556	100
38	Famous Now Limited	Director	Representative of Better Auto Holdings Limited: K.C. Liu	USD4,000	100
39	Dongguan Pou Yuen Digital Technology Co.,Ltd.	Director	Representative of Famous Now Limited: K.C. Liu, Chaney Ho, Albert Huang	USD4,000	100

6. Affiliated company's Operating Results

Unit: NT$ Thousand, Except Earnings per Share in NT$

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT$ (after tax)
01	Advansus Corp.	360,000	1,568,222	836,462	731,760	4,262,680	352,691	315,769	8.77
02	Advantech Corporate Investment .	1,000,000	989,464	188	989,276	450	(440)	87,674	0.88
03	Hangzhou Advantofine Automation Tech Co.,Ltd.	22,970	39,627	16,862	22,765	80,646	120	184	-
04	Advantech Co. Singapore Pte, Ltd. (ASG)	33,800	162,528	60,113	102,415	304,193	(944)	13,842	9.55
05	Advantech Japan Co., Ltd. (AJP)	21,480	275,227	126,931	148,296	592,291	12,198	15,187	12,656
06	Advantech Australia Pty Ltd. (AAU)	14,846	147,703	100,383	47,320	327,939	(14,282)	(7,955)	(15.91)
07	Advantech Co., Malaysia Sdn.Bhd (AMY)	18,138	53,790	24,891	28,899	135,936	6,858	4,286	2.14
08	Advantech Europe Holding B.V. (AEUH)	381,833	1,030,781	3,283	1,027,498	-	(1,146)	73,892	5.88
09	Advantech Technology Co., Ltd. (ATC)	1,173,156	4,249,780	724,987	3,524,793	9,559,293	18,627	172,715	4.46
10	Advantech Automation Corp. (AAC(BVI))	896,862	3,582,168	-	3,582,168	-	(56)	350,509	11.83
11	Advantech Europe B.V. (AEU)	312,019	2,078,434	1,230,015	848,419	4,282,138	49,221	49,767	4.40
12	Advantech Poland Sp z.o.o(APL)	35,660	47,541	2,307	45,234	51,354	4,819	3,345	526.77
13	Advantech Technology (China) Company., Ltd. AKMC	1,407,132	4,793,655	2,261,878	2,531,777	9,414,805	220,298	176,299	-
14	Advantech Corporation (ANA)	337,232	3,058,558	1,186,881	1,871,677	10,069,782	261,953	153,219	13.99
15	Beijing Yan Hua Xing Ye Electronics Science &Technology Co.,Ltd. ACN	164,856	2,893,003	2,000,202	892,801	6,278,222	113,728	107,296	-
16	Advantech Technology(HK) Co., Limited (ATC HK)	1,260,954	2,531,790	-	2,531,790	-	-	176,298	4.23
17	Advantech Automation Corp.(HK) Limited (AAC HK)	461,088	1,717,064	15,532	1,701,532	61,312	1,168	197,346	12.96
18	Shanghai Advantech Intelligent Services Co., Ltd. AiSC	252,065	1,176,201	413,674	762,527	1,932,479	18,841	39,188	-
19	Xi'An Advantech Software Co., Ltd. AXA	31,589	65,635	22,903	42,732	105,455	48,964	49,741	-
20	Advantech Brazil S/A (ABR)	39,595	179,292	110,953	68,339	444,293	49,216	25,367	11.30
21	Advantech Intelligent Service. AiST	100,000	147,349	50,414	96,935	214,877	(11,364)	(10,911)	(1.09)
22	Advantech KR Co., Ltd.（AKR）	7,800	371,235	87,688	283,547	1,239,138	85,029	56,856	94.76
23	DLoG GmbH (DLoG)	20,060	414,378	77,982	336,396	1,100,018	51,686	54,581	-
24	Cermate Technology Inc.	100,000	200,251	50,340	149,911	227,290	22,108	31,095	3.11
25	Advantech Corporation（Thailand）Co., Ltd.（ATH）	9,557	41,239	10,352	30,887	95,960	10,189	8,731	87.31

No.	Company name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Income (Loss)	EPS (Loss) / NT$ (after tax)
26	Land Mark	27,057	61,229	-	61,229	-	-	14,786	15.21
27	Cermate Technologies (Shanghai) Inc.	18,760	23,938	1,396	22,542	34,726	430	652	-
28	Shenzhen Cermate Technologies Inc.	9,614	80,285	39,729	40,556	195,752	22,705	15,704	-
29	ACA Digital Corporation.	80,000	797,050	381,330	415,720	5,070,539	288,822	288,878	36.11
30	PT. ADVANTECH INTERNATIONAL (AID)	5,465	9,435	7,441	1,994	16,160	(2,239)	79	0.26
31	ADVANTECH INDUSTRIAL COMPUTING INDIA (AIN)	2,904	52,974	58,526	(5,552)	62,735	(2,230)	(4,809)	(4.81)
32	Advantech Electronics, S. De R. L. De C. (AMX)	2,047	891	110	781	4,041	(1,369)	(1,369)	-
33	AdvanPOS Technology Co., Ltd.	199,560	299,539	149,639	149,900	309,898	(14,501)	(17,239)	(0.86)
34	Bright Mind Limited.	5,892	560	29	531	-	-	(163)	-
35	AdvanPOS Technology Shanghai Co.,Ltd.	5,892	3,511	2,978	533	2,444	(146)	(163)	-
36	Advantech LNC Technology Co., Ltd.	300,000	429,637	113,716	315,921	320,551	23,679	28,662	0.96
37	Better Auto Holdings Limited	264,445	154,751	-	154,751	-	66,064	(16,498)	(1.93)
38	Famous Now Limited	123,630	155,284	168	155,116	-	11	11	-
39	Dongguan Pou Yuen Digital Technology Co.,Ltd.	123,630	213,306	110,724	102,582	312,145	(82,120)	(82,628)	-

(II) The companies to be included in the affiliate's consolidated financial statements are same as the companies to be included in the parent company-subsidiary consolidated financial statements in accordance with Article 7 of the "Taiwan's Financial Accounting Standards;" therefore, the affiliate's consolidated financial statements will not be prepared separately.

(III) The Company is not a subsidiary of other companies; therefore, it is not necessary to have the relationship report prepared.

II. The status of issuing private placement securities in the most recent year and up to the publication of the annual report: None

III. Acquisition or disposal of the Company's stock shares by subsidiaries in the most recent year and up to the publication of the annual report: None

IV. Other necessary supplementary notes: None

IX. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act that had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report: None

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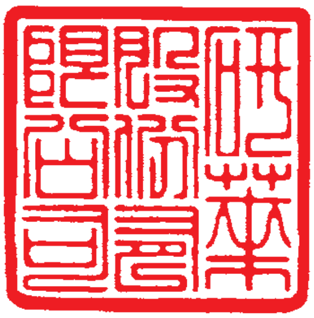
Enabling an Intelligent Planet

Advantech Co., Ltd.



K.C. Liu , Chairman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