

Advantech Co.,Ltd.
2015 Annual Shareholders' Meeting
Meeting Minutes
(Translation)

Time: 09:00 AM, May 28, 2015

Place: (Neihu Headquarters) B1, No. 1, Line 20, Lane 26, Rueiguang Road,
Neihu District, Taipei City

Quorum: 547,470,164 shares were represented by the shareholders and proxies present, which amounted to 86.69% of the Company's 631,518,600 issued and outstanding shares.

Chairman: K. C Liu, the Chairman of the Board of Directors

Attendees: Joseph Yu (Independent Director, Donald Chang (Director)

Thomas Chen (Supervisor), James Wu (Supervisor), Chaney Ho (President),

Eric Chen (Vice President), Meng Chieh Chiu, CPA, Deloitte

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

Chairman's Address (omitted)

I. Report Items

1. The 2014 Business Report (see appendix I)
2. Supervisor's Review Report on the 2014 Financial Statements (see appendix II)
3. The Status of Endorsement and Guarantee in 2014 (see meeting agenda)

II. Proposals

1. Adoption of the 2014 Business Report and Financial Statements
(Proposed by the Board)

Explanation:

- (1) The 2014 business report and standalone financial statements (including consolidated financial statements) were composed by the Board of Directors. The Company's financial statements were audited by independent auditors, M.J. Chiou and C.S. Chen, of Deloitte & Touche and were reviewed by the supervisor along with the business report with a written audit report issued.
- (2) The Business Report, independent auditor's report, and Financial Statements are enclosed as Attachment I and Attachment III.
- (3) Please acknowledge.

Voting Results:

547,470,164 shares were represented at the time of voting; 485,818,458 votes were in favor of the proposal (including votes casted electronically: 156,451,284); 136 votes were cast against the proposal (including votes casted electronically: 136); 61,651,570 votes were either invalidly cast or abstained (including votes casted electronically: 59,375,184).

Approved, that the above proposal be and hereby were accepted as submitted.

2. Adoption of the Proposal for Distribution of 2014 Profits

(Proposed by the Board)

Explanation:

- (1) Please refer to the 2014 profit distribution table in Attachment IV.
- (2) The Company's 2014 net income of NT\$4,907,781,879 after adding the beginning unallocated retained earnings of NT\$1,454,875,532, deducting the net actuarial loss of NT\$4,336,781 included in retained earnings, and appropriating legal reserve of NT\$490,778,188 was with a net amount of NT\$5,867,542,442 available for distribution, which is proposed as follows:
 - (a) An amount of NT\$3,787,254,600 out of the 2014 earnings is appropriated for distribution as shareholder's dividend (cash dividend). There were 631,209,100 shares of common stock outstanding on February 4, 2015 that are entitled to the distribution of shareholder's dividend at NT\$6 per share.
 - (b) The proposed cash dividend to employees is NT\$126,000,000 and remuneration to directors and supervisors is NT\$12,000,000 for the earnings of 2014.
 - (c) The distribution of cash dividend is calculated to the dollar (round up to the dollar). The total amount of the odd shares with a distribution of less than NT\$1 will be booked as the other income or other expense of the company.
 - (d) The current distribution of earnings is scheduled before the dividend benchmark date. If there is any change in the yield rate as a result of any change in the Company's outstanding shares, a request is to be made in the shareholders' meeting having the Board authorized to handle matters related to the changes.
 - (e) In addition, in line with the implementation of the income tax integration, while calculating the tax credit distributed to shareholders in accordance with Article 66.6 of the Income Tax Act, the earnings of 1998 and thereafter should be distributed with priority; also, while calculating the distribution of unappropriated earnings with 10% business tax levied in accordance with Article 66.9 of the Income Tax Act, the earnings of the most recent years should be distributed with priority in accordance with Tai.Fin.Tax No. 871941343 Letter dated April 30, 1998 by the Ministry of Finance and by itemized

recognition.

(f) Please acknowledge.

Voting Results:

547,470,164 shares were represented at the time of voting; 485,817,458 votes were in favor of the proposal (including votes casted electronically: 156,450,284); 1,135 votes were cast against the proposal (including votes castedelectronically: 1,135); 61,651,571 votes were either invalidly cast or abstained (including votes casted electronically: 59,375,185).

Approved, that the above proposal be and hereby were accepted as submitted.

III. Discussions

1. Amendment to the Company's Corporate Charter (Articles of Incorporation).

Explanation:

- (1) In order to comply with law and regulations and conform to the needs of commercial practice, the Company hereby proposes to amend Article 13, Article 13.6, and Article 22 of the Corporate Charter.
- (2) Corporate Charter (Articles of Incorporation) Article Amendments Table. Please refer to Attachment V.
- (3) Please proceed to discuss.

Voting Results:

547,470,164 shares were represented at the time of voting; 485,821,459 votes were in favor of the proposal (including votes casted electronically: 156,451,285); 135 votes were cast against the proposal (including votes castedelectronically: 135); 61,648,570 votes were either invalidly cast or abstained (including votes casted electronically: 59,375,184).

Approved, that the above proposal be and hereby were accepted as submitted.

2. Amendment to the Company's "Rules for the Election of Directors and Supervisors." Please proceed to discuss.

Explanation:

- (1) In order to comply with the establishment of an Audit Committee, the Company hereby proposes to amend the "Rules for the Election of Directors and Supervisors;" also, have it renamed as "Rules for the Election of Directors."
- (2) Rules for the Election of Directors" Article Amendments Table. Please refer to Attachment VI.
- (3) Please proceed to discuss.

Voting Results:

547,470,164 shares were represented at the time of voting; 484,282,879 votes were in favor of the proposal (including votes casted electronically: 154,912,705); 3,716 votes were cast against the proposal (including votes castedelectronically: 3,716); 63,183,569 votes were either invalidly cast or abstained (including votes casted electronically: 60,910,183).

Approved, that the above proposal be and hereby were accepted as submitted.

IV. Extemporary Motion: None.

V. Meeting Adjourned: There was no other business and extemporary motion, the Chairman announced the meeting adjourned.

Business Report

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 in 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 is particularly optimistic about industry 4.0, intelligent retail, and smart city; these three industries will be the basis of the future years' development, and Advantech will continue to expand the related strategies.

The majority of IoT manufacturers aiming to develop the IoT industry are still in the innovation stage; there is a chasm that must be crossed before they can access the mainstream market. In order to leap that chasm and become a trailblazer, Advantech proposes to construct the IoT-WISE Cloud (PaaS) service platform and global marketing channel evolved Sector-Lead 2.0 industrial business model; also, to invest in and nurture medium and large-scale system integrators to accelerate SaaS application replication in order to accelerate the formation of IoT.

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

President Chaney Ho

Chief Financial officer Rorie Kang

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

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)

ASSETS	2014		2013	
	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	<u>9,411,709</u>	<u>32</u>	<u>7,914,096</u>	<u>31</u>
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	<u>20,067,413</u>	<u>68</u>	<u>17,396,782</u>	<u>69</u>
TOTAL	<u>\$ 29,479,122</u>	<u>100</u>	<u>\$ 25,310,878</u>	<u>100</u>
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	<u>6,038,793</u>	<u>20</u>	<u>5,252,614</u>	<u>21</u>
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	<u>1,089,265</u>	<u>4</u>	<u>799,965</u>	<u>3</u>
Total liabilities	<u>7,128,058</u>	<u>24</u>	<u>6,052,579</u>	<u>24</u>
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	<u>6,312,091</u>	<u>22</u>	<u>5,694,000</u>	<u>22</u>
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	<u>9,830,382</u>	<u>33</u>	<u>8,514,157</u>	<u>34</u>
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	<u>901,633</u>	<u>3</u>	<u>54,507</u>	<u>-</u>
Total equity	<u>22,351,064</u>	<u>76</u>	<u>19,258,299</u>	<u>76</u>
TOTAL	<u>\$ 29,479,122</u>	<u>100</u>	<u>\$ 25,310,878</u>	<u>100</u>

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	<u>458,113</u>	<u>2</u>	<u>435,961</u>	<u>2</u>
Total operating revenue	26,297,138	100	22,017,597	100
OPERATING COSTS (Notes 10, 18 and 27)	<u>19,267,227</u>	<u>73</u>	<u>15,979,891</u>	<u>72</u>
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)	<u>246,869</u>	<u>1</u>	<u>256,306</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>7,035,969</u>	<u>27</u>	<u>6,047,143</u>	<u>28</u>
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	<u>2,375,816</u>	<u>9</u>	<u>2,008,245</u>	<u>9</u>
Total operating expenses	<u>3,720,146</u>	<u>14</u>	<u>3,217,459</u>	<u>15</u>
OPERATING PROFIT	<u>3,315,823</u>	<u>13</u>	<u>2,829,684</u>	<u>13</u>
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	<u>(17)</u>	<u>-</u>	<u>(44)</u>	<u>-</u>
Total nonoperating income	<u>2,333,849</u>	<u>9</u>	<u>1,992,814</u>	<u>9</u>
PROFIT BEFORE INCOME TAX	5,649,672	22	4,822,498	22
INCOME TAX EXPENSE (Notes 4 and 19)	<u>741,890</u>	<u>3</u>	<u>716,101</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>4,907,782</u>	<u>19</u>	<u>4,106,397</u>	<u>19</u>
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)	<u>(41,792)</u>	<u>-</u>	<u>(46,058)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>842,789</u>	<u>3</u>	<u>(19,161)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,750,571</u>	<u>22</u>	<u>\$ 4,087,236</u>	<u>19</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	<u>\$ 7.80</u>		<u>\$ 6.59</u>	
Diluted	<u>\$ 7.77</u>		<u>\$ 6.55</u>	

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

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	<u>6,126</u>	<u>6,678</u>
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	<u>(464,022)</u>	<u>(399,091)</u>
Net cash generated from operating activities	<u>3,732,840</u>	<u>4,336,452</u>
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	<u>489,682</u>	<u>375,507</u>
Net cash used in investing activities	<u>(912,632)</u>	<u>(1,780,363)</u>
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	<u>214,085</u>	<u>154,774</u>
Net cash used in financing activities	<u>(2,806,016)</u>	<u>(2,608,812)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,192	(52,723)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,035,205</u>	<u>1,087,928</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,049,397</u>	<u>\$ 1,035,205</u>

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

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

(Concluded)

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)

ASSETS	2014		2013	
	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	<u>17,990,032</u>	<u>57</u>	<u>15,411,630</u>	<u>56</u>
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	<u>13,553,788</u>	<u>43</u>	<u>12,124,454</u>	<u>44</u>
TOTAL	<u>\$ 31,543,820</u>	<u>100</u>	<u>\$ 27,536,084</u>	<u>100</u>
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	<u>7,853,899</u>	<u>25</u>	<u>7,205,324</u>	<u>26</u>
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	<u>1,151,857</u>	<u>4</u>	<u>910,570</u>	<u>3</u>
Total liabilities	<u>9,005,756</u>	<u>29</u>	<u>8,115,894</u>	<u>29</u>
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	<u>6,312,091</u>	<u>20</u>	<u>5,694,000</u>	<u>21</u>
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	<u>9,830,382</u>	<u>31</u>	<u>8,514,157</u>	<u>31</u>
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	<u>901,633</u>	<u>3</u>	<u>54,507</u>	<u>-</u>
Total equity attributable to owners of the Company	22,351,064	71	19,258,299	70
NONCONTROLLING INTERESTS	<u>187,000</u>	<u>-</u>	<u>161,891</u>	<u>1</u>
Total equity	<u>22,538,064</u>	<u>71</u>	<u>19,420,190</u>	<u>71</u>
TOTAL	<u>\$ 31,543,820</u>	<u>100</u>	<u>\$ 27,536,084</u>	<u>100</u>

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	<u>1,069,430</u>	<u>3</u>	<u>831,241</u>	<u>3</u>
Total operating revenue	35,731,699	100	30,660,034	100
OPERATING COSTS (Notes 11, 21, and 31)	<u>21,339,035</u>	<u>60</u>	<u>18,074,403</u>	<u>59</u>
GROSS PROFIT	<u>14,392,664</u>	<u>40</u>	<u>12,585,631</u>	<u>41</u>
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	<u>3,235,226</u>	<u>9</u>	<u>2,760,937</u>	<u>9</u>
Total operating expenses	<u>8,884,179</u>	<u>25</u>	<u>7,917,481</u>	<u>26</u>
OPERATING PROFIT	<u>5,508,485</u>	<u>15</u>	<u>4,668,150</u>	<u>15</u>
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	<u>(13,815)</u>	<u>-</u>	<u>(15,246)</u>	<u>-</u>
Total nonoperating income	<u>546,621</u>	<u>2</u>	<u>500,396</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	6,055,106	17	5,168,546	17
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,123,096</u>	<u>3</u>	<u>1,041,337</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,932,010</u>	<u>14</u>	<u>4,127,209</u>	<u>13</u>

(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)	<u>(41,695)</u>	<u>-</u>	<u>(46,247)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>840,008</u>	<u>2</u>	<u>(14,730)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,772,018</u>	<u>16</u>	<u>\$ 4,112,479</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 4,907,782	14	\$ 4,106,397	13
Noncontrolling interests	<u>24,228</u>	<u>-</u>	<u>20,812</u>	<u>-</u>
	<u>\$ 4,932,010</u>	<u>14</u>	<u>\$ 4,127,209</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,750,571	16	\$ 4,087,236	13
Noncontrolling interests	<u>21,447</u>	<u>-</u>	<u>25,243</u>	<u>-</u>
	<u>\$ 5,772,018</u>	<u>16</u>	<u>\$ 4,112,479</u>	<u>13</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	<u>\$7.80</u>		<u>\$6.59</u>	
Diluted	<u>\$7.77</u>		<u>\$6.55</u>	

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)			Capital Surplus (Notes 4 and 20)	Retained Earnings (Notes 4, 20 and 27)				Other Equity (Notes 4 and 20)			Noncontrolling Interests (Notes 4, 20 and 27)	Total Equity
	Share Capital	Advance Receipt for Ordinary Share Capital'	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total		
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 earnings													
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 earnings													
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	<u>4,911,241</u>	<u>4,957,162</u>
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	<u>(6,709)</u>	<u>102,519</u>
Net cash used in investing activities	<u>(1,747,646)</u>	<u>(2,700,866)</u>
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	<u>15,119</u>	<u>(48,338)</u>
Net cash used in financing activities	<u>(2,909,565)</u>	<u>(2,889,113)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>35,619</u>	<u>193,132</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	289,649	(439,685)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,832,358</u>	<u>3,272,043</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,122,007</u>	<u>\$ 2,832,358</u>

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.**2014 Profit Distribution Table**

Item	Total
Unappropriated retained earnings - beginning	1,454,875,532
Less: Actuarial losses included in retained earnings	(4,336,781)
Add: Net income (EPS \$7.8)	4,907,781,879
Less: 10% legal reserve appropriated	(490,778,188)
Current earnings available for distribution	5,867,542,442
Distributions:	
Common stock cash dividend (EPS \$6)	(3,787,254,600)
Unappropriated retained earnings - ending	2,080,287,842
Note: Employee bonus \$126,000,000 Remuneration to directors and supervisors \$12,000,000	

Chairman: K.C. Liu

President: Chaney Ho

Chief Financial officer: Rorie Kang

Advantech Co., Ltd.
Corporate Charter (Articles of Incorporation) Article Amendments Table

No.	After amendment	Before amendment	Remark
Article 13	<p>The Company has 5~7 directors and 3 supervisors who are candidates by <u>nomination</u> elected for a 3-year term in the shareholders' meeting and can be elected for a second term.</p> <p>The number of directors referred to above shall include at least two independent directors that is not less than one fifth of the board of directors. Independent directors are elected from the nominated candidates list in the shareholders' meeting. The professional qualifications of the independent directors, shareholding, part-time restriction, nomination and election means, and other matters to be complied with are to be processed in accordance with the relevant provisions of the competent authorities.</p>	<p>The Company has 5~7 directors and 3 supervisors elected for a 3-year term in the shareholders' meeting and can be elected for a second term.</p> <p>The number of directors referred to above shall include at least two independent directors that is not less than one fifth of the board of directors. Independent directors are elected from the nominated candidates list in the shareholders' meeting. The professional qualifications of the independent directors, shareholding, part-time restriction, nomination and election means, and other matters to be complied with are to be processed in accordance with the relevant provisions of the competent authorities.</p>	Establishment of the directors nomination system
Article 13.6	<p><u>The Company has an Audit Committee setup in accordance with Article 14.4 of the Securities Exchange Act, which is organized by all the independent directors. The exercise of power by the Audit Committee and its members and the related matters are to be processed in accordance with the provisions of the competent authorities. Supervisors will be discharged on the date the Audit Committee established, which will be in effect on the expiry date of the term of office in 2017.</u></p>	New article	Establishment of the Audit Committee

No.	After amendment	Before amendment	Remark
Article 22	<p>The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).</p> <p>The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.</p> <p>The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.</p> <p>The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.</p> <p>The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.</p> <p>The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.</p> <p>The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.</p> <p>The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.</p> <p>The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.</p> <p>The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.</p> <p>The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.</p>	<p>The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).</p> <p>The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.</p> <p>The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.</p> <p>The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.</p> <p>The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.</p> <p>The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.</p> <p>The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.</p> <p>The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.</p> <p>The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.</p> <p>The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.</p> <p>The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.</p>	<p>Article addition and amendment date</p>

No.	After amendment	Before amendment	Remark
	<p>The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012.</p> <p>The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.</p> <p><u>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</u></p>	<p>The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012.</p> <p>The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.</p>	

Advantech Co., Ltd.
 Rules for the Election of Directors and Supervisors
 Article Amendments Table

No.	After amendment	Before amendment	Remark
	Rules for the Election of Directors	Rules for the Election of Directors and Supervisors	The title of the rule is amended in response to the establishment of the Audit Committee.
Article 1	The Company's directors are elected in accordance with the "Rules for the Election of Directors."	The Company's directors and supervisors are elected in accordance with the "Rules for the Election of Directors and Supervisors."	The provision of supervisor appointment is deleted in response to the establishment of the Audit Committee.
Article 2	The Company's election of directors should be handled in accordance with the cumulative suffrage system. The voter's name can be replaced with the attendance card number printed on the ballot. Ballots are printed by the board of directors and are enclosed in the agenda for distributing to shareholders in accordance with their ID number and name. The vote of suffrage for each shareholder is noted on the ballot. For the Company's election of directors, each stock share	The Company's election of directors and supervisors are handled with the ballot cumulative suffrage system adopted. The voter's name can be replaced with the attendance card number printed on the ballot. Ballots are printed by the board of directors and are enclosed in the agenda for distributing to shareholders in accordance with their ID number and name. The votes of suffrage for each shareholder are noted on the ballots.	1. The provision of supervisor appointment is deleted in response to the establishment of the Audit Committee. 2. Amendment is made in accordance with the actual

	contains the suffrage equivalent to the number of directors to be elected, which can be casted to one or more than one candidate.	For the Company's election of directors and supervisors , each stock share contains the suffrage equivalent to the number of directors and supervisors to be elected, which can be casted to one or more than one candidate.	operation.
Article 3	<p>The Company's directors are elected as independent directors and non-independent directors in that order in accordance with the number of chairs designated in the Corporate Charter (Articles of Incorporation) and the electoral votes from top down.</p> <p>If there are two or more candidates received the same votes of suffrage resulting more candidates elected than the chairs designated, the candidates who received the same votes of suffrage are to take a draw for a solution; also, the Chairman is to take a draw on behalf of the absentees.</p>	<p>The Company's directors and supervisors are elected as independent directors, non-independent directors, and supervisors in that order in accordance with the number of chairs designated in the Corporate Charter (Articles of Incorporation) and the electoral votes from top down.</p> <p>If there are two or more candidates received the same votes of suffrage resulting more candidates elected than the chairs designated, the candidates who received the same votes of suffrage are to take a draw for a solution; also, the Chairman is to take a draw on behalf of the absentees.</p> <p>The individual who has been elected as a director and supervisor at the same time may determine discretionally to assume either one of the positions but not both, or, the elected director or supervisor who is found with false personal information presented or</p>	<p>1. The provision of supervisor appointment is deleted in response to the establishment of the Audit Committee.</p> <p>2. Amendment is made in accordance with the actual operation.</p>

		<p>non-complying with the governing law and regulations will be dismissed and with the vacancy filled by the un-elected candidate who has received the highest votes in the original election.</p> <p>The elected director or supervisor who is a legal person and a shareholder may determine discretionally to assume the identity as a legal person or a shareholder.</p>	
Article 6	<p>Ballot boxes <u>should be prepared</u> for the election of directors; also, <u>the ballot boxes are to be opened by the ballot inspectors after voting.</u></p> <p>Votes casted for the election of independent directors and non-independent directors are counted and elected separately.</p>	<p>Ballot boxes should be prepared for the election of directors and supervisors separately.</p> <p>Votes casted for the election of independent directors and non-independent directors are counted and elected separately.</p>	<p>1. The provision of supervisor appointment is deleted in response to the establishment of the Audit Committee.</p> <p>2. Amendment is made in accordance with the actual operation.</p>
Article 11	<p>The Company is to issue a certificate of election to each elected director.</p>	<p>The Company is to issue a certificate of election to each elected director and supervisor.</p>	<p>1. The provision of supervisor appointment is deleted in response to the</p>

			establishment of the Audit Committee. 2. Amendment is made in accordance with the actual operation.
Article 14	The “Rules for the Election of Directors and Supervisors” was established on May 3, 1997. The 1 st amendment of the Rules for the Election of Directors and Supervisors was made on April 24, 1999. The 2 nd amendment of the Rules for the Election of Directors and Supervisors was made on May 30, 2002. The 3 rd amendment of the Rules for the Election of Directors and Supervisors was made on June 15, 2007. <u>The 4th amendment of the Rules for the Election of Directors and Supervisors was made on May 28, 2015.</u>	The “Rules for the Election of Directors and Supervisors” was established on May 3, 1997. The 1 st amendment of the Rules for the Election of Directors and Supervisors was made on April 24, 1999. The 2 nd amendment of the Rules for the Election of Directors and Supervisors was made on May 30, 2002. The 3 rd amendment of the Rules for the Election of Directors and Supervisors was made on June 15, 2007.	Article addition and amendment date