

Advantech Co.,Ltd.
2016 Annual Shareholders' Meeting
Meeting Minutes
(Translation)

Time: 09:00 AM, May 25, 2016

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

Quorum: 576,471,941 shares were represented by the shareholders and proxies present, which amounted to 91.24% of the Company's 631,853,100 issued and outstanding shares.

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

Attendees: Joseph Yu (Independent Director), Jeff Chen (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. Discussion(一)

1. Amendment to the Company's Articles of Incorporation

(Proposed by the board of directors)

Explanation:

- (1) The Article of Association is amended according to Article 235.1 and Article 235 s of the Company Law regarding bonus to employees and remuneration to directors and supervisor in compliance with Hua.Chong.I.Yi.Tzi No. 10400058161 Order dated May 20, 2015.
- (2) 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 20, Article 20.2, and Article 22 of the Corporate Charter.
- (3) Corporate Charter (Articles of Incorporation) Article Amendments Table. Please refer to attachment V.

Voting Results:

576,468,895 shares were represented at the time of voting; 526,440,943 votes were in favor of the proposal (including votes casted electronically: 206,697,899); 27 votes were cast against the proposal (including votes castedelectronically: 27); 50,027,925 votes were either invalidly cast or abstained

(including votes casted electronically: 49,992,884).

II. Report Items

1. The 2015 Business Report (see appendix I)
2. Supervisor's Review Report on the 2015 Financial Statements (see appendix II)
3. To report 2015 employees' profit sharing bonus and directors' compensation
4. The Status of Endorsement and Guarantee in 2015 (see meeting agenda)

III. Proposals

1. Adoption of the 2015 Business Report and Financial Statements

(Proposed by the board of directors)

Explanation:

- (1) The 2015 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:

576,471,941 shares were represented at the time of voting; 525,790,932 votes were in favor of the proposal (including votes casted electronically: 206,044,849); 27 votes were cast against the proposal (including votes casted electronically: 27); 50,680,982 votes were either invalidly cast or abstained (including votes casted electronically: 50,645,934).

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

2. Adoption of the Proposal for Distribution of 2015 Profits

(Proposed by the board of directors)

Explanation:

- (1) Please refer to the 2015 profit distribution table in Attachment IV.
- (2) The company's 2015 business operation is with net income of NT\$5,104,346,793, plus the beginning unappropriated earnings of NT\$2,080,287,842, net of the retained earnings adjustment for NT\$62,905,864 due to long-term equity investments, defined benefit plans revaluation amount of NT\$23,278,914 credited to the retained earnings, and the legal reserve of NT\$510,434,679 appropriated that is with the distributable earnings of NT\$6,588,015,178 resulted to be distributed as follows:
- (3) An amount of NT\$3,791,118,600 out of the 2015 earnings is appropriated for distribution

as shareholder's dividend (cash dividend). There were 631,853,100 shares of common stock outstanding on December 31, 2015 that are entitled to the distribution of shareholder's dividend at NT\$6 per share.

- (4) 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.
- (5) 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.
- (6) 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.
- (7) Please acknowledge

Voting Results:

576,471,941 shares were represented at the time of voting; 526,444,179 votes were in favor of the proposal (including votes casted electronically: 206,698,096); 27 votes were cast against the proposal (including votes castedelectronically: 27); 50,027,735 votes were either invalidly cast or abstained (including votes casted electronically: 49,992,687).

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

IV. Discussions(二)

1. The company's plan of issuing employee stock warrants at a price below market price is hereby proposed for a resolution.

(Proposed by the board of directors)

Explanation:

- (1) The company intends to have employee stock warrant issued at a price below market price in accordance with Article 28.3 of the Securities Exchange Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" published by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.
- (2) According to Article 56-1 of the "Regulations Governing the Offering and Issuance of

Securities by Securities Issuers:”

- i. Total number of employee stock warrants issued, the number of shares to be subscribed for each unit of stock warrant, and the total number of stock shares to be issued for the stock option exercised:

A total of 6,500 units of employee stock warrants are issued currently and each unit of stock warrant are entitled to the subscription of 1,000 stock shares. A total of 6,500,000 common stock shares are issued for the stock option exercised.

- ii. The reference and reasonability of stock price: Stock price is NT\$100 per share.
- iii. Stock subscriber’s qualification and the number of subscriber shares:

It is limited to the full-time employees in particular level or position or who have made a special contribution to the Company and the full-time employees of the domestic and overseas subsidiaries that are with over 50% (inclusive) shareholding held by the Company directly or indirectly. The stock subscription qualification base date is decided by the chairman. The employees who qualified for stock subscription and the number of stock shares to be subscribed by each qualified employee are determined according to their job performance, overall contributions, or special achievements with the approval of the chairman and the consent of the board of directors. According to Article 56-1 Paragraph 1 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers,” the stock warrant issued by the company and subscribe by one single subscriber accumulatively plus the new shares with limited rights accumulated by the subscriber together may not exceed 0.3% of the total outstanding stock shares; moreover, together with the stock warrant issued by the issuer in accordance with Article 56 Paragraph 1 and subscribe by one single subscriber accumulatively may not exceed 1% of the total outstanding stock shares.

- iv. The reasons for issuing current employee stock warrant:

The Company aims to attract and retain talents that are needed by the company and to motivate employees and enhance employee’s loyalty in order to create common interests of the Company and shareholders.

- v. The impacts on shareholders’ equity:

I. The potential expense amount and its impact on the company’s earnings per share dilution:

Input the common stock closing price on February 1, 2016 and the actuarial assumptions and estimates in the stock option evaluation model for calculations. The annual amortized expense amount in 2016~2021: NT\$111,700,153 (estimate of six months), NT\$268,080,367, NT\$206,005,367, NT\$98,123,422, NT\$52,887,575, and NT\$17,892,116 (estimate of six months), respectively, for a grand total of NT\$754,689,000. According to the stock closing price on February 1, 2016 and the actuarial assumptions and estimates, the annual earnings per share dilution in

2016~2021: NT\$0.18, NT\$0.42, NT\$0.32, NT\$0.15, NT\$0.08, and NT\$0.03, respectively.

II. Please explain the Company's financial burden resulted from those who have the contract performed with the outstanding stock shares: Not applicable.

Voting Results:

576,471,941 shares were represented at the time of voting; 394,585,769 votes were in favor of the proposal (including votes casted electronically: 74,839,686); 126,398,032 votes were cast against the proposal (including votes casted electronically: 126,398,032); 55,488,140 votes were either invalidly cast or abstained (including votes casted electronically: 55,453,092).

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

V. Extemporary Motion: None.

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

Business Report

Dear shareholders:

2015 Summary of Results

In 2015, Advantech reported consolidated revenues of NT\$ 38 billion, an increase of six percent over the NT\$35 billion of 2014. Net income was NT\$5.13 billion and diluted earnings per share were NT\$8.08. Gross profit margin was 40.4 percent, compared with 40.3 percent in 2014, and operating profit margin was 15.6 percent compared with 15.4 percent a year earlier. Net profit margin was 13.49 percent, a decrease of 0.31 percentage points from the previous year's 13.8 percent.

Our Vision for IoT

As the industrial PC and intelligent system leader, Advantech has experienced increasing demand from the Internet of Things (IoT) industry over the past few years, and envisions that IoT may drive the next 15 years growth for the industry. According to a report published by McKinsey Global Institute in June 2015, IoT may create a US\$ 4~11 trillion economic impact in 2025. In addition, applications related to smart factories and smart cities may create a US\$2~5 trillion economic impact in 2025. Although IoT is still in the early stage, Advantech believe its tremendous economic impact will change the direction of the Information Technology Industry over the next 20 years. At the same time, both startup companies and existing technology enterprises will invest and develop their business models and technology to catch up IoT tremendous business opportunities. Advantech, as the leading intelligent system platform provider, will play a major part in this ecosystem.

Opportunities always come with challenges. We aim to provide differentiated services to create greater customer value. Given this standpoint, we are developing a new software platform, WISE-PaaS, and we are cooperating with cross-sector partners to form a vertical market IoT ecosystem. Internal incubation and external investment are critical in the process to build the SRP (Solution Ready Platform) services and to strength our leadership in the IoT industry.

Advantech's Key Strategies to Achieve 2020 Vision

- **SRP and Differentiated Value-added Services.** Advantech designed the WISE-PaaS platform to fulfill the needs of the IoT industry. Especially, PaaS (Platform as a Service) will

form the key element that accelerates the deployment of Smart City and IoT industry solutions in Taiwan; this will be Advantech's investment focus. We will employ a PaaS "sharing economy" strategy to accelerate the development of the IoT industry, and we hope to deploy value-added software as a PaaS building block provider. Furthermore, SRP, a collection of IoT software API's designed for system integrators, will be a key element for Advantech to provide differentiated value-added services to our customers.

- **Cross-sector Alliance to Form Vertical Market IoT Ecosystem.** Advantech has positioned itself as the accelerator of the intelligent planet since 2010, and has consistently created great value for its customers for the past three decades. IoT applications provide tremendous business opportunities. At the same time, challenges also face system integrators. A common difficulty is that system integrators cannot find the right partner to consolidate all the intelligent systems into a total IoT solution. Given this, Advantech transformed its business model from product-oriented to vertical market solution-oriented. We now focus on selective vertical markets such as smart hospitals, smart retail, digital logistics & fleet management, and smart buildings—where Advantech is in good position and has great potential.
- **Internal Incubation and External Investment.** Looking forward, incubation and investment will play important roles to facilitate the IoT penetration and strengthen Advantech's leadership. Incubation combines internal technology development and external collaboration. Investment includes IoT accelerator and M&A. In November 2015, we announced the 100% acquisition stake of B+B SmartWorx, with a US\$99.85mn transaction price. The deal was successfully closed in January, 2016 and we will fully consolidate B+B SmartWorx in 2016. Thanks to B+B SmartWorx, Advantech will have a stronger position in the industrial communication sector. At the same time, B+B SmartWorx will also help us to reach out to new customers, and thereby speed up global market expansion.

2016 Outlook

Advantech reported record high revenues and net income in 2015. However, the growth rate did not reach our original goal due to the weakening global macro situation and increasing currency risks in the second half of 2015. Looking forward in 2016, Advantech expects to achieve its profitable revenues growth target on the back of the increasing penetration of IoT adoption, our leadership in intelligent systems, and our differentiated value-added services, which should reduce the uncertainty from macro-economic impacts.

Strengthening Corporate Governance and Business Leadership

Advantech expects to strengthen its execution of good corporate governance and actively participate in corporate governance evaluation. Our goal is the pursuit of excellence and sustainable operation and Advantech has established its altruistic spirit at the core of its business culture, along with the pursuit of the best and balanced interests of 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 2015 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 2016 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: AIDC Investment Corp.
Representative: Gary Tseng

March 04, 2016

Supervisor's Review Report

The supervisors have reviewed the 2015 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 2016 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: Thomas Chen

March 04, 2016

Supervisor's Review Report

The supervisors have reviewed the 2015 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 2016 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: James Wu

March 04, 2016

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, 2015 and 2014, 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, 2015 and 2014 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 4.60% (NT\$1,439,156 thousand) and 4.95% (NT\$1,460,624 thousand) of the Company's total assets as of December 31, 2015 and 2014, respectively. Also, the shares of profit and loss of subsidiaries and associates accounted for using the equity method were 3.17% (NT\$186,253 thousand) and 3.13% (NT\$176,571 thousand) of the Company's profit before income tax in 2015 and 2014, 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, 2015 and 2014, and its financial performance and cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC.

The accompanying schedules of major accounting items of Advantech Co., Ltd. as of and for the year ended December 31, 2015 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 4, 2016

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, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

ASSETS	2015		2014 (Restated)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 815,293	3	\$ 1,049,397	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 24)	7,391	-	14,879	-
Available-for-sale financial assets - current (Notes 4, 8 and 24)	-	-	1,717,756	6
Notes receivable (Notes 4, 9 and 25)	55,480	-	45,319	-
Trade receivables (Notes 4 and 9)	1,135,240	4	993,742	3
Trade receivables to related parties (Notes 4 and 25)	3,977,999	13	4,014,411	14
Other receivables	113,056	-	86,064	-
Other receivables from related parties (Note 25)	15,596	-	15,641	-
Inventories (Notes 4 and 10)	1,673,156	5	1,404,202	5
Other current financial assets (Note 26)	-	-	18,650	-
Other current assets	60,318	-	51,648	-
Total current assets	7,853,529	25	9,411,709	32
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 24)	1,700,814	6	2,385,937	8
Investments accounted for using the equity method (Notes 4 and 11)	13,138,225	42	12,020,741	41
Property, plant and equipment (Notes 4 and 12)	6,278,109	20	5,354,959	18
Goodwill (Notes 4 and 13)	111,599	-	111,599	1
Other intangible assets (Note 4)	74,049	-	86,240	-
Deferred tax assets (Notes 4 and 18)	114,710	1	81,941	-
Prepayments for business facilities	15,489	-	14,972	-
Prepayment for investments (Note 28)	1,968,044	6	-	-
Other noncurrent assets	10,837	-	11,024	-
Total noncurrent assets	23,411,876	75	20,067,413	68
TOTAL	\$ 31,265,405	100	\$ 29,479,122	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 24)	\$ 6,352	-	\$ 8,698	-
Trade payables	899,480	3	777,932	3
Trade payables to related parties (Note 25)	2,687,130	9	2,433,936	8
Other payables (Notes 14 and 17)	2,255,915	7	2,070,485	7
Current tax liabilities (Notes 4 and 18)	853,769	3	650,399	2
Short-term warranty provision (Note 4)	41,410	-	36,119	-
Other current liabilities	72,312	-	61,224	-
Total current liabilities	6,816,368	22	6,038,793	20
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	927,732	3	889,049	3
Net defined benefit liabilities (Notes 4, 15 and 17)	182,172	-	164,249	1
Credit balance of investments accounted for using the equity method (Notes 4 and 11)	-	-	7,286	-
Other noncurrent liabilities	31,632	-	33,726	-
Total noncurrent liabilities	1,141,536	3	1,094,310	4
Total liabilities	7,957,904	25	7,133,103	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE EQUITY				
Share capital				
Ordinary shares	6,318,531	20	6,301,031	22
Advance receipts for share capital	-	-	11,060	-
Total share capital	6,318,531	20	6,312,091	22
Capital surplus	5,587,555	18	5,306,958	18
Retained earnings				
Legal reserve	3,962,842	13	3,472,064	12
Unappropriated earnings	7,098,449	23	6,353,273	21
Total retained earnings	11,061,291	36	9,825,337	33
Other equity				
Exchange differences on translating foreign operations	271,859	1	338,356	1
Unrealized gains (losses) on available-for-sale financial assets	68,265	-	563,277	2
Total other equity	340,124	1	901,633	3
Total equity	23,307,501	75	22,346,019	76
TOTAL	\$ 31,265,405	100	\$ 29,479,122	100

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

(With Deloitte & Touche audit report dated March 4, 2016)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 25)				
Sales	\$ 28,673,906	99	\$ 25,839,025	98
Other operating revenue	<u>321,746</u>	<u>1</u>	<u>458,113</u>	<u>2</u>
Total operating revenue	28,995,652	100	26,297,138	100
OPERATING COSTS (Notes 10, 17 and 25)	<u>20,758,574</u>	<u>72</u>	<u>19,267,227</u>	<u>73</u>
GROSS PROFIT	8,237,078	28	7,029,911	27
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(330,254)	(1)	(240,811)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>240,811</u>	<u>1</u>	<u>246,869</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>8,147,635</u>	<u>28</u>	<u>7,035,969</u>	<u>27</u>
OPERATING EXPENSES (Notes 17 and 25)				
Selling and marketing expenses	704,299	3	634,611	2
General and administrative expenses	693,290	2	709,880	3
Research and development expenses	<u>2,568,723</u>	<u>9</u>	<u>2,375,816</u>	<u>9</u>
Total operating expenses	<u>3,966,312</u>	<u>14</u>	<u>3,720,307</u>	<u>14</u>
OPERATING PROFIT	<u>4,181,323</u>	<u>14</u>	<u>3,315,662</u>	<u>13</u>
NONOPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,344,991	5	1,493,406	6
Interest income (Note 4)	1,665	-	20,510	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	(161)	-	59,702	-
Gains on disposal of investments (Notes 4 and 16)	198,848	1	43,163	-
Foreign exchange gains (losses), net (Notes 4 , 17 and 29)	(88,859)	-	53,744	-
Gains on financial instruments at fair value through profit or loss (Note 4)	83,798	-	60,072	-
Dividend income (Note 4)	105,445	-	124,466	1
Other income (Notes 8 and 25)	112,567	-	528,395	2
Finance costs (Note 17)	-	-	(421)	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
Losses on financial instruments at fair value through profit or loss (Note 4)	\$ (67,063)	-	\$ (49,171)	-
Other losses	(53)	-	(17)	-
Total nonoperating income	<u>1,691,178</u>	<u>6</u>	<u>2,333,849</u>	<u>9</u>
PROFIT BEFORE INCOME TAX	5,872,501	20	5,649,511	22
INCOME TAX EXPENSE (Notes 4 and 18)	<u>768,155</u>	<u>2</u>	<u>741,863</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>5,104,346</u>	<u>18</u>	<u>4,907,648</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 3 and 15)	(18,736)	-	(4,989)	-
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 3 and 11)	(2,683)	-	(62)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 3 and 18)	<u>3,185</u>	<u>-</u>	<u>848</u>	<u>-</u>
	<u>(18,234)</u>	<u>-</u>	<u>(4,203)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 16)	(82,566)	-	246,470	1
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 16)	(557,594)	(2)	659,064	2
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4, 11 and 16)	65,031	-	(15,741)	-
Income tax relating to item that may be reclassified subsequently to profit or loss (Notes 4, 16 and 18)	<u>13,620</u>	<u>-</u>	<u>(42,667)</u>	<u>-</u>
	<u>(561,509)</u>	<u>(2)</u>	<u>847,126</u>	<u>3</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(579,743)</u>	<u>(2)</u>	<u>842,923</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,524,603</u>	<u>16</u>	<u>\$ 5,750,571</u>	<u>22</u>

(Continued)

ADVANTECH CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2015</u>		<u>2014 (Restated)</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$8.08</u>		<u>\$7.80</u>	
Diluted	<u>\$8.05</u>		<u>\$7.77</u>	

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

(With Deloitte & Touche audit report dated March 4, 2016)

(Concluded)

ADVANTECH CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Issued Capital (Notes 16 and 20)		Capital Surplus (Notes 4, 16 and 20)		Retained Earnings (Notes 4, 16 and 21)		Other Equity (Notes 4 and 16)		Total Equity
	Share Capital	Advance Receipts for Share Capital	Total	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2014	\$ 5,669,249	\$ 24,751	\$ 5,694,000	\$ 4,995,635	\$ 3,061,424	\$ 8,514,157	\$ 130,041	\$ (75,534)	\$ 19,258,299
Effect of retrospective application and retrospective restatement	-	-	-	(5,045)	-	(5,045)	-	-	(5,045)
BALANCE AT JANUARY 1, 2014 AS RESTATED	5,669,249	24,751	5,694,000	4,995,635	3,061,424	8,509,112	130,041	(75,534)	19,253,254
Appropriation of the 2013 earnings	-	-	-	-	410,640	-	-	-	-
Legal reserve	-	-	-	-	(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)	-	-	-
Issue of ordinary shares under employee share options	51,410	(4,850)	46,560	167,525	-	-	-	-	214,085
Compensation cost recognized for employee share options	-	-	-	111,393	-	-	-	-	111,393
Change in capital surplus from investments in associates	-	-	-	8,966	-	-	-	-	8,966
Convertible bonds converted to ordinary shares	10,972	(8,841)	2,131	13,855	-	-	-	-	15,986
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)
Net profit for the year ended December 31, 2014	-	-	-	-	4,907,648	4,907,648	-	-	4,907,648
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	(4,203)	(4,203)	208,315	638,811	842,923
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	9,825,337	338,356	563,277	22,346,019
Appropriation of the 2014 earnings	-	-	-	-	490,778	-	-	-	-
Legal reserve	-	-	-	-	(490,778)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,787,255)	(3,787,255)	-	-	(3,787,255)
Issue of ordinary shares under employee share options	17,500	(11,060)	6,440	24,438	-	-	-	-	30,878
Compensation cost recognized for employee share options	-	-	-	261,877	-	-	-	-	261,877
Change in capital surplus from investments in associates	-	-	-	2,172	-	-	-	-	2,172
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	(11,457)	-	(62,903)	-	-	(74,360)
Changes in percentage of ownership interest in subsidiaries	-	-	-	3,567	-	-	-	-	3,567
Net profit for the year ended December 31, 2015	-	-	-	-	5,104,346	5,104,346	-	-	5,104,346
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	(18,234)	(18,234)	(66,497)	(495,012)	(579,743)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	5,086,112	5,086,112	(66,497)	(495,012)	4,524,603
BALANCE AT DECEMBER 31, 2015	\$ 6,318,531	\$ -	\$ 6,318,531	\$ 5,587,555	\$ 3,962,842	\$ 11,061,291	\$ 271,859	\$ 68,265	\$ 23,307,501

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 4, 2016)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,872,501	\$ 5,649,511
Adjustments for:		
Depreciation expenses	242,916	202,173
Amortization expenses	74,874	61,530
Impairment loss recognized (reversal of impairment loss) of trade receivables	(2,203)	8,703
Net gain on financial assets or liabilities at fair value through profit or loss	(16,735)	(10,901)
Finance costs	-	421
Interest income	(1,665)	(20,510)
Dividend income	(105,445)	(124,466)
Compensation cost of employee share options	261,877	111,393
Share of profit of subsidiaries and associates accounted for using the equity method	(1,344,991)	(1,493,406)
Loss (gain) on disposal of property, plant and equipment	161	(59,702)
Gain on disposal of investments	(198,848)	(43,163)
Loss on bond redemption	-	17
Realized loss (gain) on the transactions with subsidiaries and associates	89,443	(6,058)
Changes in operating assets and liabilities		
Financial assets held for trading	21,877	(16,279)
Notes receivable	(10,161)	(10,454)
Trade receivables	(139,295)	(132,090)
Trade receivables to related parties	36,412	(909,350)
Other receivables	(26,584)	45,967
Other receivable due from related parties	45	135,447
Inventories	(268,954)	(127,130)
Other current assets	(8,670)	(34,931)
Other financial assets	18,650	90,460
Trade payables	121,548	201,512
Trade payables to related parties	253,194	333,229
Other payables	190,449	201,004
Net defined benefit liabilities	(813)	(1,880)
Other current liabilities	11,088	(5,225)
Other noncurrent liabilities	(1,975)	6,126
Cash generated from operations	5,068,696	4,051,948
Interest received	1,257	20,448
Dividend received	105,445	124,466
Income tax paid	(542,066)	(464,022)
Net cash generated from operating activities	<u>4,633,332</u>	<u>3,732,840</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	\$ (3,710,080)	\$ (3,423,628)
Proceeds on sale of available-for-sale financial assets	5,754,213	3,284,544
Acquisition of investments accounted for using equity method	(688,577)	(149,643)
Proceeds from disposal of investments accounted for using the equity method	-	51,175
Prepayment for investments	(1,968,044)	-
Proceeds of the capital reduction of investments accounted for using the equity method	42,927	-
Payments for property, plant and equipment	(1,181,375)	(875,370)
Proceeds from disposal of property, plant and equipment	294	127,362
Decrease in refundable deposits	187	15,009
Payments for intangible assets	(62,714)	(47,706)
Proceeds from disposal of intangible assets	31	-
Net cash outflows from business combination	-	(296,297)
Decrease (increase) in prepayments for equipment	14,609	(87,760)
Dividends received from subsidiaries and associates	<u>687,589</u>	<u>489,682</u>
Net cash used in investing activities	<u>(1,110,940)</u>	<u>(912,632)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bond payables	-	(2,400)
Decrease (increase) in guarantee deposits received	(119)	119
Cash dividends paid	(3,787,255)	(3,017,820)
Exercise of employee share options	<u>30,878</u>	<u>214,085</u>
Net cash used in financing activities	<u>(3,756,496)</u>	<u>(2,806,016)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(234,104)	14,192
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,049,397</u>	<u>1,035,205</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 815,293</u>	<u>\$ 1,049,397</u>

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

(With Deloitte & Touche audit report dated March 4, 2016)

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and 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, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 12 to the consolidated financial statements, we did not audit the consolidated financial statements as of and for the years ended December 31, 2015 and 2014 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. The total assets of these subsidiaries were 4.17% (NT\$1,418,592 thousand) and 4.77% (NT\$1,505,128 thousand) of the consolidated assets as of December 31, 2015 and 2014, respectively. The operating revenues of these subsidiaries were 7.76% (NT\$2,947,500 thousand) and 8.67% (NT\$3,099,173 thousand) of the consolidated operating revenues for 2015 and 2014, respectively. Also, as stated in Note 13 to the consolidated financial statements, we did not audit the financial statements as of and for the years ended December 31, 2015 and 2014 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 1.41% (NT\$477,984 thousand) and 1.42% (NT\$447,663 thousand) of the consolidated assets as of and for the years ended December 31, 2015 and 2014. Also, the equity in the investees' net gains was 1.75% (NT\$110,226 thousand) and 1.66% (NT\$100,264 thousand) of the consolidated pretax profits in 2015 and 2014, respectively.

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation 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, 2015 and 2014, 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, 2015 and 2014 and have expressed a modified unqualified opinion on those financial statements.

March 4, 2016

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, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014 (Restated)	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,358,259	13	\$ 3,122,007	10
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 28)	176,389	1	165,402	-
Available-for-sale financial assets - current (Notes 4, 8 and 28)	1,755,843	5	3,431,359	11
Debt investments with no active market - current (Notes 4 and 9)	3,171	-	5,487	-
Notes receivable (Notes 4, 5, 10 and 29)	970,722	3	949,861	3
Accounts receivable (Notes 4, 5 and 10)	5,428,574	16	4,960,373	16
Accounts receivable from related parties (Note 29)	26,775	-	5,400	-
Other receivables	40,811	-	36,550	-
Inventories (Notes 4, 5 and 11)	4,868,860	14	4,781,550	15
Other current financial assets (Note 30)	-	-	18,650	-
Other current assets (Note 16)	456,342	1	513,393	2
Total current assets	18,085,746	53	17,990,032	57
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 28)	1,747,598	5	2,428,569	8
Investments accounted for using the equity method (Notes 4 and 13)	477,984	2	447,663	1
Property, plant and equipment (Notes 4 and 14)	9,576,879	28	8,876,606	28
Goodwill (Notes 4, 5 and 15)	1,139,559	3	1,168,727	4
Other intangible assets	227,686	1	286,312	1
Deferred tax assets (Notes 4 and 22)	217,989	1	161,268	1
Prepayments for business facilities	65,753	-	45,511	-
Prepayments for investments (Note 32)	2,279,881	7	-	-
Long-term prepayments for lease (Note 16)	100,875	-	96,516	-
Other noncurrent assets (Note 26)	59,183	-	42,616	-
Total noncurrent assets	15,893,387	47	13,553,788	43
TOTAL	\$ 33,979,133	100	\$ 31,543,820	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 28)	\$ 880,625	3	\$ 3,080	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 28)	6,352	-	8,698	-
Trade payables (Note 29)	3,226,069	9	3,166,195	10
Other payables (Notes 18 and 21)	3,380,317	10	3,174,189	10
Current tax liabilities (Notes 4 and 22)	1,057,226	3	787,404	3
Short-term warranty provision (Note 4)	145,646	-	141,354	-
Other current liabilities	546,295	2	498,900	2
Total current liabilities	9,242,530	27	7,779,820	25
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	938,491	3	897,940	3
Long-term accounts payable	-	-	43,028	-
Net defined benefit liabilities (Notes 4, 5 and 19)	183,540	1	165,428	1
Other noncurrent liabilities	160,795	-	124,585	-
Total noncurrent liabilities	1,282,826	4	1,230,981	4
Total liabilities	10,525,356	31	9,010,801	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	6,318,531	19	6,301,031	20
Advance receipts for share capital	-	-	11,060	-
Total share capital	6,318,531	19	6,312,091	20
Capital surplus	5,587,555	16	5,306,958	17
Retained earnings				
Legal reserve	3,962,842	12	3,472,064	11
Unappropriated earnings	7,098,449	21	6,353,273	20
Total retained earnings	11,061,291	33	9,825,337	31
Other equity				
Exchange differences on translation of foreign financial statements	271,859	1	338,356	1
Unrealized gains on available-for-sale financial assets	68,265	-	563,277	2
Total other equity	340,124	1	901,633	3
Total equity attributable to owners of the Company	23,307,501	69	22,346,019	71
NON-CONTROLLING INTERESTS	146,276	-	187,000	-
Total equity	23,453,777	69	22,533,019	71
TOTAL	\$ 33,979,133	100	\$ 31,543,820	100

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

(With Deloitte & Touche audit report dated March 4, 2016)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Note 29)				
Sales	\$ 36,978,961	97	\$ 34,662,269	97
Other operating revenue	<u>1,021,621</u>	<u>3</u>	<u>1,069,430</u>	<u>3</u>
Total operating revenue	38,000,582	100	35,731,699	100
OPERATING COSTS (Notes 11, 21 and 29)	<u>22,655,592</u>	<u>59</u>	<u>21,339,035</u>	<u>60</u>
GROSS PROFIT	<u>15,344,990</u>	<u>41</u>	<u>14,392,664</u>	<u>40</u>
OPERATING EXPENSES (Notes 21 and 29)				
Selling and marketing expenses	3,889,856	10	3,533,354	10
General and administrative expenses	1,982,879	5	2,115,760	6
Research and development expenses	<u>3,543,748</u>	<u>10</u>	<u>3,235,226</u>	<u>9</u>
Total operating expenses	<u>9,416,483</u>	<u>25</u>	<u>8,884,340</u>	<u>25</u>
OPERATING PROFIT	<u>5,928,507</u>	<u>16</u>	<u>5,508,324</u>	<u>15</u>
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Notes 4 and 13)	110,226	-	100,264	1
Interest income	40,613	-	54,355	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	(5,410)	-	56,473	-
Gains on disposal of investments (Note 4)	202,458	1	27,143	-
Foreign exchange gains (losses), net (Notes 4, 21 and 33)	(186,889)	-	78,206	-
Gains on financial instruments at fair value through profit or loss (Note 4)	83,798	-	85,664	-
Dividend income	139,725	-	130,737	1
Other income (Note 8)	121,329	-	91,185	-
Finance costs (Note 21)	(10,041)	-	(14,420)	-
Losses on financial instruments at fair value through profit or loss (Note 4)	(130,409)	-	(49,171)	-
Other losses	<u>(4,372)</u>	<u>-</u>	<u>(13,815)</u>	<u>-</u>
Total nonoperating income	<u>361,028</u>	<u>1</u>	<u>546,621</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	6,289,535	17	6,054,945	17
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,162,560</u>	<u>3</u>	<u>1,123,069</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>5,126,975</u>	<u>14</u>	<u>4,931,876</u>	<u>14</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 3, 19 and 20)	\$ (19,303)	-	\$ (5,562)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 13)	(2,424)	-	199	-
Income tax relating to items that will not be reclassified (Notes 3 and 22)	3,281	-	945	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 20)	(101,490)	-	243,904	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 20)	(495,012)	(2)	638,811	2
Share of the other comprehensive income of associates (Notes 4, 13 and 20)	2,449	-	4,512	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20 and 22)	<u>13,620</u>	<u>-</u>	<u>(42,667)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(598,879)</u>	<u>(2)</u>	<u>840,142</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,528,096</u>	<u>12</u>	<u>\$ 5,772,018</u>	<u>16</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,104,346	13	\$ 4,907,648	14
Non-controlling interests	<u>22,629</u>	<u>-</u>	<u>24,228</u>	<u>-</u>
	<u>\$ 5,126,975</u>	<u>13</u>	<u>\$ 4,931,876</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 4,524,603	12	\$ 5,750,571	16
Non-controlling interests	<u>3,493</u>	<u>-</u>	<u>21,447</u>	<u>-</u>
	<u>\$ 4,528,096</u>	<u>12</u>	<u>\$ 5,772,018</u>	<u>16</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2015</u>		<u>2014 (Restated)</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	<u>\$ 8.08</u>		<u>\$ 7.80</u>	
Diluted	<u>\$ 8.05</u>		<u>\$ 7.77</u>	

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

(With Deloitte & Touche audit report dated March 4, 2016)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Issued Capital (Notes 20 and 24)				Retained Earnings (Notes 20 and 25)			Other Equity (Note 20)		Non-controlling Interests (Notes 20 and 25)	Total Equity	
	Share Capital	Advance Receipts for Ordinary Shares	Total	Capital Surplus (Notes 20, 24 and 25)	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			Total
BALANCE AT JANUARY 1, 2014	\$ 5,669,249	\$ 24,751	\$ 5,694,000	\$ 4,995,635	\$ 3,061,424	\$ 5,452,733	\$ 8,514,157	\$ 130,041	\$ (75,534)	\$ 19,258,209	\$ 161,891	\$ 19,420,190
Effect of respective application and respective restatement	-	-	-	(5,445)	-	(5,445)	(5,445)	-	-	(5,445)	-	(5,445)
BALANCE AT JANUARY 1, 2014 AS RESTATED	5,669,249	24,751	5,694,000	4,995,635	3,061,424	5,447,688	8,509,112	130,041	(75,534)	19,253,254	161,891	19,415,145
Appropriation of the 2013 earnings	-	-	-	(410,640)	410,640	(410,640)	(3,017,820)	-	-	(3,017,820)	-	(3,017,820)
Cash dividends on ordinary shares	-	-	-	(3,017,820)	-	(3,017,820)	(3,017,820)	-	-	(3,017,820)	-	(3,017,820)
Stock dividends on ordinary shares	569,400	-	569,400	(569,400)	-	(569,400)	(569,400)	-	-	-	-	-
Recognition of employee share options by the Company	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 equity method	-	-	-	8,966	-	-	-	-	-	8,966	-	8,966
Differences between consideration paid 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)
Convertible bonds converted to ordinary shares	10,972	(8,841)	2,131	13,855	-	-	-	-	-	15,986	-	15,986
Net profit for the year ended December 31, 2014	-	-	-	4,907,648	-	-	4,907,648	4,907,648	-	4,907,648	24,228	4,931,876
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	(4,203)	-	-	(4,203)	(4,203)	-	(4,203)	(2,781)	(6,984)
Total comprehensive income for the year ended December 31, 2014	-	-	-	4,903,445	-	-	4,903,445	4,903,445	-	4,903,445	21,447	4,924,892
BALANCE AT DECEMBER 31, 2014 AS RESTATED	6,201,031	11,060	6,312,091	5,306,958	3,472,064	6,333,273	9,823,337	338,356	563,277	22,346,019	187,000	22,533,019
Appropriation of the 2014 earnings	-	-	-	(490,778)	490,778	(490,778)	(3,787,255)	-	-	(3,787,255)	-	(3,787,255)
Cash dividends on ordinary shares	-	-	-	(3,787,255)	-	-	(3,787,255)	-	-	(3,787,255)	-	(3,787,255)
Recognition of employee share options by the Company	17,500	(11,060)	6,440	24,438	-	-	-	-	-	30,878	-	30,878
Compensation cost recognized for employee share options	-	-	-	261,877	-	-	-	-	-	261,877	-	261,877
Change in capital surplus from investments in associates accounted for using equity method	-	-	-	2,172	-	-	-	-	-	2,172	-	2,172
Differences between consideration paid and carrying amount of subsidiaries acquired	-	-	-	(11,457)	-	-	(62,903)	(62,903)	-	(74,360)	(44,217)	(118,577)
Changes in percentage of ownership interest in subsidiaries	-	-	-	3,567	-	-	-	-	-	3,567	-	3,567
Net profit for the year ended December 31, 2015	-	-	-	5,104,346	-	-	5,104,346	5,104,346	-	5,104,346	22,629	5,126,975
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	(18,234)	-	-	(18,234)	(18,234)	-	(18,234)	(19,136)	(36,370)
Total comprehensive income for the year ended December 31, 2015	-	-	-	5,086,112	-	-	5,086,112	5,086,112	-	5,086,112	3,493	5,089,605
BALANCE AT DECEMBER 31, 2015	6,318,531	-	6,318,531	5,587,555	3,962,832	7,098,449	11,061,291	271,859	68,265	23,307,501	146,276	23,453,777

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 4, 2016)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,289,535	\$ 6,054,945
Adjustments for:		
Depreciation expenses	568,241	504,211
Amortization expenses	97,953	90,709
Amortization expenses for prepayments of lease obligation	2,577	2,519
Impairment loss recognized on trade receivables	23,360	9,991
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	46,611	(36,493)
Compensation cost of employee share options	261,877	111,393
Finance costs	10,041	14,420
Interest income	(40,613)	(54,355)
Dividend income	(139,725)	(130,737)
Share of profit of associates	(110,226)	(100,264)
Loss (gain) on disposal of property, plant and equipment	5,410	(56,473)
Gain on disposal of investments	(202,458)	(27,143)
Loss on bond redemption	-	17
Changes in operating assets and liabilities		
Financial assets held for trading	(59,944)	(141,210)
Notes receivable	(20,861)	(200,332)
Accounts receivable	(495,148)	(366,727)
Account receivables from related parties	(21,375)	1,179
Other receivables	(1,724)	(383)
Inventories	(87,310)	(750,893)
Other current assets	57,051	(141,365)
Other financial assets	18,650	90,660
Trade payables	59,874	393,344
Net defined benefit liabilities	(1,191)	(1,785)
Other payables	151,859	243,045
Other current liabilities	47,395	(40,587)
Other noncurrent liabilities	36,812	95,481
Cash generated from operations	<u>6,496,671</u>	<u>5,563,167</u>
Interest received	38,076	31,578
Dividend received	221,642	130,737
Interest paid	(1,467)	(5,233)
Income tax paid	<u>(850,763)</u>	<u>(809,008)</u>
Net cash generated from operating activities	<u>5,904,159</u>	<u>4,911,241</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(9,713,717)	(5,847,515)
Proceeds on sale of available-for-sale financial assets	11,766,699	5,213,858
Acquisition of investments with no active market	1,805	(643)
Acquisition of investments accounted for using the equity method	-	(18,095)
		(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
Proceeds from disposal of investments accounted for using equity method	\$ -	\$ 1,407
Increase in prepayments for investments	(2,279,881)	-
Net cash flow on the acquisition of subsidiaries	-	(31,033)
Dividends received from associates	-	54,774
Acquisition of property, plant and equipment	(1,333,481)	(1,213,769)
Proceeds from disposal of property, plant and equipment	22,867	151,867
Decrease (increase) in refundable deposits	(16,567)	17,265
Acquisition of intangible assets	(73,145)	(48,841)
Increase in prepayments for business facilities	(18,015)	(20,212)
Decrease in long-term accounts payables	<u>-</u>	<u>(6,709)</u>
Net cash generated from investing activities	<u>(1,643,435)</u>	<u>(1,747,646)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	877,545	(120,064)
Repayments of bonds	-	(2,400)
Increase (decrease) in guarantee deposits received	(602)	1,515
Payment of cash dividends	(3,787,255)	(3,017,820)
Exercise of employee share options	30,878	214,085
Increase (decrease) in non-controlling interests	<u>(118,577)</u>	<u>15,119</u>
Net cash used in financing activities	<u>(2,998,011)</u>	<u>(2,909,565)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(26,461)</u>	<u>35,619</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,236,252	289,649
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,122,007</u>	<u>2,832,358</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,358,259</u>	<u>\$ 3,122,007</u>

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

(With Deloitte & Touche audit report dated March 4, 2016)

(Concluded)

Advantech Co., Ltd.**2015 Profit Distribution Table**

Item	Total
Unappropriated retained earnings - beginning	2,080,287,842
Less: Long-term equity investments	(62,905,864)
Less: Defined benefit plans revaluation	(23,278,914)
Add: Net income	5,104,346,793
Less: 10% legal reserve appropriated	(510,434,679)
Current earnings available for distribution	6,588,015,178
Distributions:	
Common stock cash dividend (EPS \$6)	(3,791,118,600)
Unappropriated retained earnings - ending	2,796,896,578

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 <u>seven</u> ~ <u>nine</u> directors and three supervisors nominated for a term of three years and they are elected from the capable candidates in the shareholders' meeting; also, they can be re-elected. There must be at least two independent directors (not less than one fifth of the total number of directors) out of the number of directors referred to above. The independent directors are to be elected from the candidates in the shareholders' meeting. The professional qualifications of the independent directors, shareholdings, limitation of part-time job, the nomination and appointment method, and other matters to be complied with must be processed according to the relevant provisions of the competent authorities.</p>	<p>The company has <u>five</u> ~ <u>seven</u> directors and three supervisors who are nominated for a term of three years and elected from the capable candidates in the shareholders' meeting; also, they can be re-elected. There must be at least two independent directors (not less than one fifth of the total number of directors) out of the number of directors referred to above. The independent directors are to be elected from the candidates in the shareholders' meeting. The professional qualifications of the independent directors, shareholdings, limitation of part-time job, the nomination and appointment method, and other matters to be complied with must be processed according to the relevant provisions of the competent authorities.</p>	<p>According to the actual practice</p>
Article 20	<p>The company's annual profits, if any, should be with 1~20% appropriated as bonus to employees; also, it is to be resolved in the board meeting with stock dividend or cash distributed to employees, including employees of the subsidiaries that meet certain conditions. The Company's Board of Directors may determine to appropriate an amount less than 1% of the profits referred to above as remuneration to directors and supervisors. The proposed bonus to employees and remuneration to directors and supervisors should be presented in the shareholders' meeting for a resolution. If the company is with accumulated losses, an amount for making up the losses should be reserved in advance before appropriating bonus to employees and</p>	<p>The company's annual earnings, if any, are subject to paying taxes, making up losses of prior years, appropriating 10% legal reserve thereafter, and appropriating or reversing special reserve according to law and the regulations of the competent authorities, then the balance amount, if any, plus the accumulated unappropriated earnings, after reserving part of the earnings as necessary fund for business growth, should be allocated proportionally as follows: 1. Bonus to employees for 1~20% 2. Remuneration to directors and supervisors for less than 1% 3. The remaining amount is for shareholders' dividend. The bonus to employees referred to above may include the</p>	<p>According to the governing law and regulations</p>

No.	After amendment	Before amendment	Remark
Article 20.2	<p>remuneration to directors and supervisors according to the ratio referred to above.</p> <p>The company's annual earnings, if any, are subject to paying taxes, making up losses, appropriating 10% legal reserve thereafter or it can be exempted if the legal reserve amount is equivalent to the company's paid-in capital amount. The remaining balance thereafter should be applied to have the special reserve appropriated or reversed lawfully. The board of directors should present a proposal for the distribution of the remaining amount, if any, plus the accumulated unappropriated earnings as shareholders' dividend and bonus in the shareholders' meeting.</p>	<p>employees of the subsidiaries that meet certain conditions, which are to be determined by the Board of Directors.</p> <p>New clause</p>	
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 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>	

No.	After amendment	Before amendment	Remark
	<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 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>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</p> <p>The 34rd amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.</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 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>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</p>	