

Stock Code: 2395

ADVANTECH

Enabling an Intelligent Planet

Advantech Co.,Ltd.

Annual General Shareholders Meeting for 2017

Meeting Handbook

May 26 , 2017

Advantech Co., Ltd.

Procedure for the 2017 General Shareholders' Meeting

1. Call the Meeting to Order
2. Chairperson Remarks
3. Management Presentation
5. Matters to be approved
6. Discussion and Election
7. Motions
8. Adjournment

I. Agenda of Annual Meeting

Advantech Co., Ltd. Agenda of 2017 General Shareholders' Meeting

Time: 9:00 a.m. on May 26 (Friday), 2017

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

1. Call the Meeting to Order

2. Chairperson Remarks

3. Management Presentations

(1) The 2016 Business Report.

(2) Supervisor's Review Report on the 2016 Financial Statements.

(3) Report of Employees' compensation and Directors' compensation of 2016.

(4) The Status of Endorsement and Guarantee in 2016.

4. Matters to be approved

(1) Adoption of the 2016 Business Report and Financial Statements.

(2) Adoption of the Proposal for Distribution of 2016 Earnings.

5. Discussion and Election

(1) Issuance of new shares from capital increase by earnings.

(2) Amendment to the "Articles of Incorporation".

(3) Amendment to the "Procedures For Acquisition or Disposal of Assets".

(4) Amendment to the "Procedures For Lending Funds to Other Parties".

(5) Amendment to the "Procedures For Endorsement & Guarantee".

(6) Amendment to the "Procedures For Financial Derivatives Transactions".

(7) Amendment to the "Rules and Procedures of Shareholders' Meeting".

(8) Discuss the disposal of Advantech LNC Technology Co., Ltd. Shares.

(9) Re-election of all directors.

(10) Exemption of the limitation of non-competition on the directors of the Company.

7. Motions

8. Adjournment

1. Management Presentations

Report No. 1

Cause of action : The 2016 Business Reports.

Explanation : The 2016 Business Report is attached as Attachment I.

Report No. 2

Cause of action : Supervisor's Review Report on the 2016 Financial Statements.

Explanation :
1. The Supervisor's Review Report is attached as Attachment II.
2. Supervisors are urged to read out the review report.

Report No. 3

Cause of action : Report of Employees' compensation and Directors' compensation of 2016.

Explanation
1. Pursuant to Article 20 of the company's Articles of Incorporation, in consideration of the company's overall business operations and the payment standard of the industry, it is recommended to appropriate an amount of NT\$243,000,000 as bonus to employees and NT\$12,300,000 as remuneration to directors and supervisors paid in cash from the net income of 2016.
2. There is no difference between the amount approved by the Board of Directors and the amount recognized as expense in 2016.
3. The proposal has passed in the Remuneration Committee meeting.

Report No. 4

Cause of action : The Status of Endorsement and Guarantee in 2016.

Explanation :
1. In compliance with the Company's "Procedure for Making of Endorsements and Guarantees".
2. The Company issued a letter of guarantee to endorse and guarantee the subsidiaries' purchase of materials and short-term bank loan in response to the subsidiary's business operation. The balance of endorsement and guarantee amounted to NT\$1,954,389 thousand as of December 31, 2016, representing 30.87% of the Company's paid-in capital.
3. Please review the statement of endorsement and guaranteed amount enclosed.

Guarantor (Company)	Subsidiary of the guaranteed company	Category	Amount (original currency ___K)	NTD (NTD ___K)	Remarks
Advantech (ACL)	Advantech Corporation.	short-term bank loan	USD30,000	\$967,500	Under the limit (Note2)
Advantech (ACL)	B+B SmartWorx Inc.	short-term bank loan	USD10,000	322,500	Under the limit (Note2)
Advantech (ACL)	Cermate Technologies Inc.	short-term bank loan	USD1,550	49,988	Under the limit (Note2)
Advantech (ACL)	Advanixs Corp.	short-term bank loan	USD1,600	51,600	Under the limit (Note2)
Advantech (ACL)	Advanixs Corp.	Endorsement and guarantee for purchase of materials	USD2,000	64,500	Under the limit (Note2)
Advantech (ACL)	Advantech Technology (China)Company Ltd. (AKMC)	short-term bank loan	USD6,000	193,500	Under the limit (Note2)
Advantech (ACL)	Advantech Intelligent Service.	short-term bank loan	USD150	4,838	Under the limit (Note2)
Advantech (ACL)	Advantech-LNC Technology Co.,Ltd.	short-term bank loan	USD3,500	112,875	Under the limit (Note2)
Advantech (ACL)	AdvantechPOS Technology Co.,Ltd.	short-term bank loan	USD1,000	32,250	Under the limit (Note2)
Advantech (ACL)	AdvantechPOS Technology Co.,Ltd.	Endorsement and guarantee for purchase of materials	USD2,000	64,500	Under the limit (Note2)
Advantech (ACL)	Advantech KR Co., Ltd	short-term bank loan	USD50	1,613	Under the limit (Note2)
Advantech (ACL)	Advantech Australia Pty Limited.	short-term bank loan	USD200	6,450	Under the limit (Note2)
Advantech (ACL)	DLOG Gesellschaft für elektronische Datentechnik mbH	short-term bank loan	EUR1,000	33,900	Under the limit (Note2)
Advantech (ACL)	Advantech Brasil Ltda	short-term bank loan	USD1,500	48,375	Under the limit (Note2)
Total				\$1,954,389	Under the limit (Note1)

Note: The amount of limit is calculated in accordance with the Company's Rules for Making of Endorsements and Guarantees:

- (1) Maximum endorsement and guarantee amounted to NT\$7,564,074 thousand.
- (2) Maximum endorsement and guarantee for one single enterprise amounted to NT\$ 2,521,358 thousand.
- (3) The amount of limit referred to above is calculated in accordance with the net value NT\$25,213,582 thousand stated in the 2016 audited financial statements.

2. Matters to be approved

Proposal 1:

(Proposed by the Board of Directors)

- Cause of action : Adoption of the 2016 Business Report and Financial Statements.
- Explanation : 1. The 2016 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.
- Resolution :

Proposal: 2

(Proposed by the Board of Directors)

- Cause of action : Adoption of the Proposal for Distribution of 2016 Earnings.
- Explanation : 1. Please refer to the 2016 prorofit distribution table in Attachment IV.
2. The net income of the company amounted to NT\$5,666,862,329 for 2016. Added the beginning unappropriated earnings of NT\$2,796,896,578 and deducted net of the retained earnings adjustment for NT\$3,691,230 due to long-term equity investments, actuarial loss recognized in retained earnings of NT\$24,282,918, the legal reserve of NT\$566,686,233 and special reserve of NT\$85,203,650, the distributable earnings for 2016 amounted to NT\$7,783,894,876 resulted to be distributed as follows:
- (1) The amounts of NT\$3,988,366,830 and NT\$633,074,100 out of the 2016 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively.
There were 633,074,100 shares of common stock outstanding on December 31, 2016 that are entitled to the distribution of shareholder's dividend at NT\$7.3 per share.
 - (2) 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.
 - (3) 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 Chairman authorized to handle matters related to the changes.
 - (4) Upon the approval of the Annual General Shareholder's Meeting, it is proposed that the Chairman is authorized to resolve the ex-dividend date and other relevant issues.
- Resolution :

3. Discussion and Election

Proposal: 1

(Proposed by the Board of Directors)

- Cause of action : Issuance of new shares from capital increase by earnings. Please proceed to resolve.
- Explanation : 1. In response to the business development, the Company plans to issue 63,307,410 shares from capital increase by the 2016 dividends distributed to shareholders at the amount of NT\$633,074,100, with the par value per share of NT\$10. Based on shareholders and their shareholding ratio listed in the shareholders' roster on the target date for distribution of dividends, 100 shares per 1000 shares will be distributed free of charge; the fractional share that is less than 1 share shall be put together by the stock agency appointed by the Company within 5 days after the date on which share transfer registration is suspended. The fractional share that is insufficient to make up the balance or put together by the deadline will be subscribed by a person designated by the chairman of the Board.
2. When there is a change in the distribution rate due to change in the number of shares circulated outside, the shareholders' meeting shall authorize the Board of Directors to solely handle such a change.
3. Rights and obligations arising from the issuance of new shares are same as those arising from the issuance of original shares.
4. After the issuance of new shares from capital increase is resolved by the annual shareholders' meeting and reported to the competent authority, the Board of Directors will be authorized to set the ex-right date and announce it separately.
5. Please proceed to discuss.

Resolution :

Proposal: 2

(Proposed by the Board of Directors)

- Cause of action : Amendment to the "Articles of Incorporation". Please proceed to discuss.
- Explanation : 1. In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Articles of Incorporation. Please refer to Attachment V.
2. Please proceed to discuss..

Resolution :

Proposal: 3

(Proposed by the Board of Directors)

- Cause of action : Amendment to the "Procedures For Acquisition or Disposal of Assets". Please proceed to discuss.
- Explanation : 1. The proposal is handled according to Financial Supervisory Commission Order Gin-Guan-Zheng-Fa-Zi No. 1060001296 dated February 9, 2017.
2. In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures For Acquisition or Disposal of Assets . Please refer to Attachment VI.
3. Please proceed to discuss.

Resolution :

Proposal: 4 (Proposed by the Board of Directors)

Cause of action : Amendment to the “Procedures for Lending Funds to Other Parties”. Please proceed to discuss.

Explanation : 1. In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures for Lending Funds to Other Parties . Please refer to Attachment VII.

2. Please proceed to discuss.

Resolution :

Proposal: 5 (Proposed by the Board of Directors)

Cause of action : Amendment to the “Procedures for Endorsement & Guarantee”. Please proceed to discuss.

Explanation : 1. In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures for Endorsement & Guarantee . Please refer to Attachment VIII.

2. Please proceed to discuss.

Resolution :

Proposal: 6 (Proposed by the Board of Directors)

Cause of action : Amendment to the “ Procedures for Financial Derivatives Transactions”. Please proceed to discuss.

Explanation : 1. In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures for Financial Derivatives Transactions . Please refer to Attachment IX.

2. Please proceed to discuss.

Resolution :

Proposal: 7 (Proposed by the Board of Directors)

Cause of action : Amendment to the “ Rules and Procedures of Shareholders’ Meeting ”. Please proceed to discuss.

Explanation 1. In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Rules and Procedures of Shareholders’ Meeting . Please refer to Attachment X.

2. Please proceed to discuss.

Resolution :

Proposal: 8 (Proposed by the Board of Directors)

Cause of action : Discuss the disposal of Advantech LNC Technology Co., Ltd. Shares. Please proceed to discuss.

Explanation : 1. In response to the business development of the Company’s subsidiary, Advantech LNC Technology Co., Ltd. (hereinafter referred to as AdvantechLNC), and the recruitment and retention of professionals required by the Company, the Company plans to first release 3,000,000 shares of Advantech

LNC to the founding executives of Advantech LNC at the price of NT\$18 per share and at the total amount of NT\$54,000,000 in order to improve employees' coherence and sense of belonging, further creating the interest of the Company and shareholders.

2. Please proceed to discuss.

Resolution :

Proposal: 9

Cause of action : Re-election of all directors. Please Vote.

Explanation :

1. As the term of the Company's directors and supervisors is about to expire, the reelection of directors and supervisors shall be held in the shareholders' meeting this year according to Article 13 of the Company's Articles of Incorporation.
2. The Company plans to set up 7~9 directors (including 3 independent directors) according to Article 13 of the Company's Articles of Incorporation. In the 13th reelection, 7 directors are planned to be set up (including 3 independent directors) with a term of 3 years and they may be eligible for reelection. The Company plans to establish the audit committee, which is composed of all independent directors, according to Article 13-6 of the Company's Articles of Incorporation. In addition, supervisors are abolished.
3. According to Article 13 of the Company's Articles of Incorporation, the candidate nomination system is adopted for the election of directors. After the Board of Directors reviews the qualifications of nominees based on the roster of candidates for directors and independent directors, qualified nominees are enrolled in the final roster of candidates for directors and independent directors and elected by the Board of Directors.
4. The 3-year term of newly elected directors starts from May 26, 2017 and ends on May 25, 2020.
5. According to Company's Article of Incorporation, the Company's disectors shall be elected from the nomination list. The qualification of the nominees has been reviewed by Board. Personal information of the nominees is as follows:

Category	Name	Education	Experience	Current position	Shares Held
Director	K.C. Liu	Department of Telecommunications Engineering, National Chiao Tung University	Founder of Advantech	Chairman of Advantech Corporate Investment 、 Chairman of Advanixs Corp. 、 Chairman of Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. 、 Chairman of Advantech Technology (China) Company Ltd. 、 Chairman of Shanghai Advantech Intelligent Services Co., Ltd 、 Chairman of Xi'an Advantech Software Ltd 、 Chairman of Advantech Intelligent Service. 、 Chairman of K and M Investment Co., Ltd. 、 Chairman of AdvanPOS Technology Co., Ltd. 、 Chairman of	23,292,484

				<p>Advantech-LNC Technology Co., Ltd. ∙ Chairman of Advanixs Kun ShAN Corporaton ∙ Chairman of Aimobile Co., Ltd. ∙ Chairman of Advantech Foundation ∙ Chairman of Advantech Japan Co., Ltd. ∙ Chairman of B+B Smartworx Inc. Director of AIDC Investment Corp. ∙ Director of Advantech Europe B.V. ∙ Director of DLoG GmbH ∙ Director of ADVANTECH INTERNATIONAL PT. ∙ Director of Advantech Electronics, S. De R. L. De C.V. Director of Advantech Technology Co., Ltd. Director of HK Advantech Technology Co., Ltd. ∙ Director of Advantech Automation Corp. ∙ Director of Advantech Automation Corp.(HK) Limited. ∙ Director of Advantech Brazil Ltd. ∙ Director of Advantech Co. Singapore Pte, Ltd. ∙ Director of Advantech Corp. ∙ Director of Advantech Europe Holding B.V. ∙ Director of Advantech Co., Malaysia Sdn.Bhd. ∙ Director of Advantech Poland Sp z.o.o ∙ Director of Advantech KR Co., Ltd. ∙ Director of Advantech Corporation (Thailand) Co., Ltd. ∙ Director of Advantech Industrial Computing India Private Limited. ∙ Director of Better Auto Holdings Limited. ∙ Director of Famous Now Limited.</p>	
Director	Ted Hsu	EMBA ∙ National Chiao Tung University	Chairman of Eeizprise Inc. ∙ Director of ASUSTeK ∙ Director of Asmedia Technology Inc. ∙ Director of Eusol Biotech Co.,Ltd.	Chief Strategy Officer of ASUSTeK	0
Director	AIDC Investment Corp. Representative: Donald Chang	Bachelor Chemical Engineering, Chinese Culture University	President, 3M China Region ∙ Vice President, 3M Southeast Asia Region ∙ Managing Director, 3M Southeast Asia Region & 3M Singapore	Independent Director of Chung Hwapulp Corp.	74,636,266

Director	Advantech Foundation Representative :Chaney Ho	Tatung Institute of Technology,Taiwan	President of Le Wel Co.,Ltd.	Chairman of Advantech Innovative Design Co., Ltd. ∙ Director of Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd ∙ Director of Shanghai Advantech Intelligent Services Co., Ltd ∙ Director of Advantech Technology (China) Company Ltd ∙ Director of Advantech Co., Malaysia Sdn.Bhd.Director of Advantech KR Co., Ltd. ∙ Director of Advantech Industrial Computing India Private Limited.	18,244,889
Independent Director	Jeff Chen	EMBA ∙ Northwestern University	Stanley Black & Decker Inc. VP & President of Asia ∙ Stanley Works HQ, VP Global Operations ∙ Stanley Works Asia, President Asia Operations	Independent Director of Advantech Co.,Ltd.	0
Independent Director	Benson Liu	Master, International Business Administration, University of Northrop, USA	Chairman and President of Bristol-Myers Squibb (Taiwan) Ltd.	Independent Director, Global Unichip Corp Independent Director, Polylite Taiwan Co.,Ltd. Vice Chairman, Chinese Corporate Governance Association ∙ Director, Maywufa Company Ltd.	0
Independent Director	Joseph Yu	PhD of Business Administration, University of Michigan	Associate Professor, Department of Business Administration, University of Illinois at Urbana-Champaign ∙ Member, Taiwan Ministry of Economic Research and Development Committee ∙ Dean, National Chengchi University, Department of Business Administration; Representative for National Chengchi University School of Business	Independent Director, Yuanta Securities Co., Ltd ∙ Independent Director, Yuanta Bank Co., Ltd. Professor, Department of Business Administration, National Chengchi University	249

Election results:

Proposal: 10

(Proposed by the Board of Directors)

- Cause of action : Exemption of the limitation of non-competition on the directors of the Company. Please proceed to discuss.
- Explanation : 1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. To take good advantage of the specialties and experience of the Company's directors, the release of the prohibition on new directors and their representatives, elected in the 2017 annual shareholders' meeting, from participation in competitive business is proposed in the shareholders' meeting for approval according to laws.
- Resolution :

4.Motions**5. Adjournment**

ATTACHMENTS

II. Attachments

<Attachment I>

Business Report

Dear shareholders:

2016 Summary of Results

In 2016, Advantech reported consolidated revenues of NT\$ 42 billion, an increase of ten percent over the NT\$38 billion of 2015. Net income was NT\$5.69 billion and diluted earnings per share were NT\$8.96. Gross profit margin was 40.8 percent, compared with 40.4 percent in 2015; and operating profit margin was 15.8 percent, compared with 15.6 percent a year earlier. Net profit margin was 13.54 percent, an increase of 0.05 percentage points from the previous year's 13.49 percent.

Our Vision for IoT

Advantech has been looking at Internet of Things (IoT) opportunities since 2010, in addition to our foundation in embedded systems and industrial PC segments. We position ourselves as “The Accelerator of the Intelligent Planet”. However, given the complexity of the IoT ecosystem, we believe the broad-based penetration of end-user demands and applications will happen in the next 10 to 15 years, but not today. Since 2016, Advantech has gradually experienced rising demand in industrial IoT and factory applications. Looking forward, in addition to more comprehensive internet infrastructure development, the support and acceleration from industrial companies (like GE, Schneider, Honeywell, Siemens, etc.) and service providers (like Microsoft, Amazon, and Google) are the essential catalysts of the IoT industry.

Advantech recognizes three waves of growth in the IoT industry. The first wave happened in 2010 and will gradually mature in 2020. The major beneficiaries are IoT device providers, such as fabless houses. The second wave began in 2015~2016 and is expected to yield results in 2019~2020. The second wave should mature in 2025, at which time a third wave of IoT growth will begin. Advantech foresees that companies with the capability to provide hardware and software integration services will be the major beneficiaries during the second wave of IoT growth. In the future, Advantech will strengthen its role as an accelerator of the intelligent planet, facilitating system integrators' activities in each vertical market, providing differentiated customer service, and forming cross-sector alliance and vertical market ecosystems.

Advantech's Key Strategies to Achieve Our 2020 Vision

● Develop the WISE-PaaS platform to form a sharing platform.

In 2015, Advantech's WISE-PaaS was focused on internal software consolidation and architecture development. In 2016, WISE-PaaS successfully launched Edge Intelligence Server (EIS) and Solution Ready Platform (SRP), and penetrated into several customer IoT projects in different vertical markets. In 2017, Advantech will focus on cloud services for the WISE-PaaS platform to provide a reliable and improved IoT cloud computing platform.

● Make cross-sector alliances to form a vertical market IoT ecosystem.

IoT is an expansion opportunity to Advantech's current specialty in embedded systems and industrial PCs. However, the complexities of the IoT system and vertical markets will drive overall market diversity. Therefore, Advantech intends to form different alliances in focused areas, including “M2.COM” in the Wireless IoT Sensor Nodes Standard, and Embedded Linux & Android Alliance

(ELAA) in the embedded OS area, to provide more comprehensive services to our system integrator partners.

● **Invest, incubate, and cooperate to accelerate IoT development and penetration.**

In our 2020 vision, Advantech also identified external cooperation and investment as another growing arm in the future to fulfill the natural complexity of the IoT market and strengthen our portfolio and service offerings. In January 2016, Advantech fully consolidated B+B SmartWorx into our operations. In January 2017, Advantech announced investment in Kostec, a specialized, Korea-based medical-monitor company. Both investments were in line with Advantech's long term strategy in technology centric and vertical development. Also, Advantech initiated more interactions and sponsorship with industrial partners and academic institutes. In addition to talent recruitment and business engagement, Advantech intends to facilitate the development of Taiwan's IoT supply chain.

2017 Outlook

Advantech reported record high revenues and net income in 2016. The 10.5% revenue growth was consistent overall with Advantech's past 10 year CAGR growth. More importantly, Advantech intends to seek sustainable top-line growth in the long run to optimize investor value.

Looking forward in 2017, Advantech expects to achieve its profitable revenue growth target on the back of 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 has marketed itself as an industrial brand since the beginning and now Advantech has operations in 23 countries around the world. In 2016, Advantech was recognized as a Top 6 Taiwan International Brand, and the only B2B company among the Top 10 Taiwan International Brands. To enhance corporate governance and comply with international trends, Advantech will transform its board organization from supervisory systems to independent directors systems starting from 2017. Our goal is the pursuit of excellence and sustainable operation. 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 2016 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 2017 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: AIDC Investment Corp.
Representative: Gary Tseng

March 06, 2017

Supervisor's Review Report

The supervisors have reviewed the 2016 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 2017 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: Thomas Chen

March 06, 2017

Supervisor's Review Report

The supervisors have reviewed the 2016 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 2017 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: James Wu

March 06, 2017

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2016 were as follows:

Business acquisitions

Due to the operation plan of 2016, the Group acquired 100% of the shares of B+B SmartWorx, Inc. (B+B) for NT\$3,296,048 thousand on January 4, 2016.

The evaluation on fair value of the assets, liabilities, and the amount of goodwill as of the date of acquisition of B+B was based on a specialists' Purchase Price Allocation Report that involved several financial assumptions and inputs. The judgment of related accounting estimates will affect the presentation of accounts on the financial statements. Since the acquisition is considered to be a significant event and was transacted during the period of the financial statements and should have a material impact on the financial statements, the accuracy of the acquisition transaction of B+B conducted by the Group was deemed to be a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Tested the acquisition balance sheet prepared by management in accordance with the requirements of IFRS 3 Business Combinations by:
 - a. Checking that the record matched against the fair value of the assets and liabilities as of the date of acquisition.
 - b. Recalculating the value of goodwill recognized on the acquisition balance sheet.
2. Evaluated and tested the management's judgments, through the engagement of valuation experts by:
 - a. Testing the completeness of the identification, recognition, and valuation of the potential intangible assets of B+B and the fixed assets of its subsidiaries.
 - b. Testing the valuation methodologies and assumptions used to value each identified intangible asset, fixed asset, and goodwill.

B+B obtained the specialists' Purchase Price Allocation Report in December 2016. Through the above performed procedures, B+B recognized goodwill at NT\$1,768,139 thousand and intangible assets, including client relationships, core techniques, trademarks and software, at NT\$1,294,933 thousand in total.

Impairment loss recognized on goodwill

If an asset has an indefinite useful life or there is any indication that an asset is impaired, the management should assess if the carrying amount of the assets is impaired. We have expressed our concerns on the related risks since the impairment assessment of goodwill is based on the management's significant judgment that involves assumptions of the future profitability and costs of equity and debts; the impairment of goodwill is hence recognized as a critical accounting estimate in Note 5 to the consolidated financial statements.

The consolidated balance of goodwill amounted to NT\$2,845,831 thousand as of December 31, 2016. We are mainly concerned about the addition of cash-generating units from the acquisition of B+B, from which the goodwill from the cash-generating units amounted to NT\$1,768,139 thousand. Since the actual operations condition of B+B was not to the level as was evaluated as of the date of acquisition, which might cause an impairment of goodwill, the assessment of impairment of goodwill was deemed to be a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

When evaluating the impairment assessment, we tested management's assumptions and inputs used for testing the impairment for goodwill, including cash flow projections and discount rates.

Other Matter

We have also audited the parent company only financial statements of Advantech Co., Ltd as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Meng-Chieh Chiu and Chin-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2017

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,637,577	12	\$ 4,358,259	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	113,028	-	176,389	1
Available-for-sale financial assets - current (Notes 4, 8 and 30)	2,956,586	8	1,755,843	5
Debt investments with no active market - current (Notes 4 and 9)	10,007	-	3,171	-
Notes receivable (Notes 4, 10 and 31)	965,081	3	970,722	3
Trade receivables (Notes 4 and 10)	6,384,834	17	5,428,574	16
Trade receivables from related parties (Note 31)	13,957	-	26,775	-
Other receivables	13,775	-	40,811	-
Inventories (Notes 4 and 11)	5,597,236	15	4,868,860	14
Other current assets (Note 17)	489,630	1	456,342	1
Total current assets	21,181,711	56	18,085,746	53
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 30)	1,712,578	4	1,747,598	5
Investments accounted for using the equity method (Notes 4 and 13)	598,454	2	477,984	2
Property, plant and equipment (Notes 4 and 14)	10,089,836	26	9,576,879	28
Goodwill (Notes 4, 5 and 15)	2,845,831	7	1,139,559	3
Other intangible assets (Notes 4, 5 and 16)	1,317,440	3	227,686	1
Deferred tax assets (Notes 4 and 23)	369,156	1	217,989	1
Prepayments for business facilities	47,578	-	65,753	-
Prepayments for investments (Note 26)	-	-	2,279,881	7
Long-term prepayments for leases (Note 17)	325,224	1	100,875	-
Other noncurrent assets (Note 28)	51,145	-	59,183	-
Total noncurrent assets	17,357,242	44	15,893,387	47
TOTAL	\$ 38,538,953	100	\$ 33,979,133	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 30)	\$ 483,750	1	\$ 880,625	3
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	10,231	-	6,352	-
Trade payables (Note 31)	4,983,381	13	3,226,069	9
Other payables (Notes 19 and 22)	3,902,499	10	3,380,317	10
Current tax liabilities (Notes 4 and 23)	1,229,400	3	1,057,226	3
Short-term warranty provisions (Note 4)	167,122	-	145,646	-
Other current liabilities	659,228	2	546,295	2
Total current liabilities	11,435,611	29	9,242,530	27
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	1,362,687	4	938,491	3
Net defined benefit liabilities (Notes 4 and 20)	212,360	1	183,540	1
Other noncurrent liabilities	141,398	-	160,795	-
Total noncurrent liabilities	1,716,445	5	1,282,826	4
Total liabilities	13,152,056	34	10,525,356	31
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	6,330,741	16	6,318,531	19
Advance receipts for share capital	100	-	-	-
Total share capital	6,330,841	16	6,318,531	19
Capital surplus	6,058,884	16	5,587,555	16
Retained earnings				
Legal reserve	4,473,276	12	3,962,842	12
Unappropriated earnings	8,435,785	22	7,098,449	21
Total retained earnings	12,909,061	34	11,061,291	33
Other equity				
Exchange differences on translation of foreign financial statements	(197,633)	-	271,859	1
Unrealized gains on available-for-sale financial assets	112,429	-	68,265	-
Total other equity	(85,204)	-	340,124	1
Total equity attributable to owners of the Company	25,213,582	66	23,307,501	69
NON-CONTROLLING INTERESTS	173,315	-	146,276	-
Total equity	25,386,897	66	23,453,777	69
TOTAL	\$ 38,538,953	100	\$ 33,979,133	100

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Note 31)				
Sales	\$ 40,839,800	97	\$ 36,978,961	97
Other operating revenue	<u>1,162,398</u>	<u>3</u>	<u>1,021,621</u>	<u>3</u>
Total operating revenue	42,002,198	100	38,000,582	100
OPERATING COSTS (Notes 11, 22 and 31)	<u>24,884,649</u>	<u>59</u>	<u>22,655,592</u>	<u>59</u>
GROSS PROFIT	<u>17,117,549</u>	<u>41</u>	<u>15,344,990</u>	<u>41</u>
OPERATING EXPENSES (Notes 22 and 31)				
Selling and marketing expenses	4,260,554	10	3,889,856	10
General and administrative expenses	2,576,210	6	1,982,879	5
Research and development expenses	<u>3,649,292</u>	<u>9</u>	<u>3,543,748</u>	<u>10</u>
Total operating expenses	<u>10,486,056</u>	<u>25</u>	<u>9,416,483</u>	<u>25</u>
OPERATING PROFIT	<u>6,631,493</u>	<u>16</u>	<u>5,928,507</u>	<u>16</u>
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Notes 4 and 13)	65,562	-	110,226	-
Interest income	15,989	-	40,613	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	289,633	1	(5,410)	-
Gains (losses) on disposal of investments (Note 4)	(4,873)	-	202,458	1
Foreign exchange gains (losses), net (Notes 4, 22 and 33)	(205,812)	-	(186,889)	-
Gains on financial instruments at fair value through profit or loss (Note 4)	150,982	-	83,798	-
Dividend income	132,472	-	139,725	-
Other income (Note 8)	78,855	-	121,329	-
Finance costs (Note 22)	(11,556)	-	(10,041)	-
Losses on financial instruments at fair value through profit or loss (Note 4)	(43,324)	-	(130,409)	-
Other losses	<u>(2,056)</u>	<u>-</u>	<u>(4,372)</u>	<u>-</u>
Total nonoperating income	<u>465,872</u>	<u>1</u>	<u>361,028</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	7,097,365	17	6,289,535	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>1,408,411</u>	<u>3</u>	<u>1,162,560</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>5,688,954</u>	<u>14</u>	<u>5,126,975</u>	<u>14</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 20, 21 and 23):				
Remeasurement of defined benefit plans	\$ (31,247)	-	\$ (19,303)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	1,574	-	(2,424)	-
Income tax related to items that will not be reclassified	5,312	-	3,281	-
Items that may be reclassified subsequently to profit or loss (Notes 4, 21 and 23):				
Exchange differences on translating foreign operations	(576,926)	(1)	(101,490)	-
Unrealized gains (losses) on available-for-sale financial assets	44,164	-	(495,012)	(2)
Share of the other comprehensive income of associates	(4,135)	-	2,449	-
Income tax related to items that may be reclassified subsequently to profit or loss	<u>96,161</u>	<u>-</u>	<u>13,620</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(465,097)</u>	<u>(1)</u>	<u>(598,879)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,223,857</u>	<u>12</u>	<u>\$ 4,528,096</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,666,862	13	\$ 5,104,346	13
Non-controlling interests	<u>22,092</u>	<u>-</u>	<u>22,629</u>	<u>-</u>
	<u>\$ 5,688,954</u>	<u>14</u>	<u>\$ 5,126,975</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,217,251	12	\$ 4,524,603	12
Non-controlling interests	<u>6,606</u>	<u>-</u>	<u>3,493</u>	<u>-</u>
	<u>\$ 5,223,857</u>	<u>12</u>	<u>\$ 4,528,096</u>	<u>12</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)				
Basic	<u>\$ 8.96</u>		<u>\$ 8.08</u>	
Diluted	<u>\$ 8.90</u>		<u>\$ 8.05</u>	

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Issued Capital (Notes 21 and 25)		Capital Surplus (Notes 21, 25 and 27)		Retained Earnings (Notes 21 and 27)		Other Equity (Note 21)		Non-controlling Interests (Notes 21 and 27)	Total Equity		
	Share Capital	Advance Receipts for Ordinary Shares	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, 2015	\$ 6,301,031	\$ 11,060	\$ 6,312,091	\$ 5,506,938	\$ 3,472,064	\$ 6,355,273	\$ 9,825,337	\$ 338,356	\$ 563,277	\$ 22,346,019	\$ 187,000	\$ 22,533,019
Appropriation of the 2014 earnings	-	-	-	-	490,778	(490,778)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(3,787,255)	(3,787,255)	-	-	(3,787,255)	-	(3,787,255)
Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
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 the equity method	-	-	-	2,172	-	-	-	-	-	2,172	-	2,172
Difference 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	22,629	5,126,975
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(18,234)	(18,234)	(66,497)	(495,012)	(579,743)	(19,136)	(598,879)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	5,086,112	5,086,112	(66,497)	(495,012)	4,524,603	3,493	4,528,096
BALANCE AT DECEMBER 31, 2015	6,318,531	-	6,318,531	5,587,555	3,962,842	7,098,449	11,061,291	271,859	68,205	23,307,501	146,276	23,453,777
Appropriation of the 2015 earnings	-	-	-	-	510,434	(510,434)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(3,791,118)	(3,791,118)	-	-	(3,791,118)	-	(3,791,118)
Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the Company	12,210	100	12,310	104,758	-	-	-	-	-	117,068	-	117,068
Compensation cost recognized for employee share options	-	-	-	338,194	-	-	-	-	-	338,194	-	338,194
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	10,533	-	-	-	-	-	10,533	-	10,533
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	17,844	-	(3,691)	(3,691)	-	-	14,153	20,433	34,586
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,666,862	5,666,862	(469,492)	-	5,666,862	22,092	5,688,954
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(24,283)	(24,283)	(469,492)	44,164	(469,611)	(15,486)	(465,097)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	5,642,579	5,642,579	(469,492)	44,164	5,217,251	6,605	5,223,857
BALANCE AT DECEMBER 31, 2016	\$ 6,330,741	\$ 100	\$ 6,330,841	\$ 6,058,684	\$ 4,473,276	\$ 8,435,785	\$ 12,909,061	\$ (197,633)	\$ 115,429	\$ 25,213,582	\$ 173,315	\$ 25,386,897

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,097,365	\$ 6,289,535
Adjustments for:		
Depreciation expenses	582,040	568,241
Amortization expenses	238,048	97,953
Amortization expenses for prepayments of lease obligations	6,606	2,577
Impairment loss recognized (reversal of impairment loss) on trade receivables	(24,032)	23,360
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(107,658)	46,611
Compensation cost of employee share options	338,194	261,877
Finance costs	11,556	10,041
Interest income	(15,989)	(40,613)
Dividend income	(132,472)	(139,725)
Share of profit of associates	(65,562)	(110,226)
Loss (gain) on disposal of property, plant and equipment	(289,633)	5,410
Loss (gain) on disposal of investments	4,873	(202,458)
Changes in operating assets and liabilities		
Financial assets held for trading	174,898	(59,944)
Notes receivable	5,641	(20,861)
Trade receivables	(738,014)	(495,148)
Trade receivables from related parties	12,807	(21,375)
Other receivables	31,402	(1,724)
Inventories	(446,618)	(87,310)
Other current assets	(8,478)	57,051
Other financial assets	-	18,650
Trade payables	1,569,097	59,874
Net defined benefit liabilities	(2,427)	(1,191)
Other payables	600,572	147,567
Short-term warranty provisions	21,476	4,292
Other current liabilities	112,933	47,395
Other noncurrent liabilities	<u>(17,857)</u>	<u>36,812</u>
Cash generated from operations	8,958,768	6,496,671
Interest received	15,989	38,076
Dividends received	132,472	139,725
Interest paid	(6,285)	(1,467)
Income tax paid	<u>(1,086,369)</u>	<u>(850,763)</u>
Net cash generated from operating activities	<u>8,014,575</u>	<u>5,822,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(6,491,968)	(9,713,717)
Proceeds from sale of available-for-sale financial assets	5,364,552	11,766,699
Acquisition of investments with no active market	(6,945)	1,805
Acquisition of investments accounted for using the equity method	(135,000)	-

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Increase in prepayments for investments	\$ -	\$ (2,279,881)
Net cash flow on the acquisition of subsidiaries	(1,369,432)	-
Dividends received from associates	88,313	81,917
Acquisition of property, plant and equipment	(1,448,423)	(1,333,481)
Proceeds from disposal of property, plant and equipment	587,468	22,867
Decrease (increase) in refundable deposits	8,038	(16,567)
Acquisition of intangible assets	(73,435)	(73,145)
Increase in prepayments for business facilities	46,599	(18,015)
Net cash used from investing activities	<u>(3,430,233)</u>	<u>(1,561,518)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(396,875)	877,545
Decrease in guarantee deposits received	(1,540)	(602)
Payment of cash dividends	(3,791,118)	(3,787,255)
Exercise of employee share options	117,068	30,878
Increase (decrease) in non-controlling interests	<u>34,586</u>	<u>(118,577)</u>
Net cash used in financing activities	<u>(4,037,879)</u>	<u>(2,998,011)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(267,145)</u>	<u>(26,461)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	279,318	1,236,252
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,358,259</u>	<u>3,122,007</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,637,577</u>	<u>\$ 4,358,259</u>

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Advantech Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the financial statements for the year ended December 31, 2016 were as follows:

Investments accounted for using the equity method

The Company and its subsidiaries acquired 100% share of B+B SmartWorx, Inc. (B+B) for NT\$3,296,048 thousand in January 4, 2016 and recognized the acquisition as investment accounted for using the equity method.

The evaluation on fair value of the assets, liabilities, and amount of goodwill as of the date of acquisition was based on the specialists' Purchase Price Allocation Report that involved several financial assumptions and inputs. The judgment of related accounting estimates will affect the presentation of accounts on the financial statements. After considering that the acquisition was a significant event and was transacted during the period of financial statements with a material impact on the financial statements, accuracy of merger transaction of B+B conducted by the Company was deemed to be a key audit matter.

Our key audit procedures performed in respect of the assets and liabilities as of the date of acquisition included the following:

1. Tested the acquisition balance sheet prepared by the management and checked the record by matching against the fair value of the assets and liabilities as of the date of acquisition.
2. Recalculated the value of goodwill recognized in the acquisition balance sheet.

Impairment assessment of investments accounted for using the equity method

The excess of cost of acquisition of investments accounted for using the equity method over the fair value of investees' identifiable assets and liability as of the dates of acquisition should be recognized as goodwill. If there is any indication that goodwill is impaired, the management should assess if the carrying amount of goodwill is impaired. We have expressed our concerns on the related risks of impairment assessment on goodwill arising from acquisition of B+B since the impairment assessment of goodwill is based on the management's significant judgment that involved assumptions of the future profitability and costs of equity and debts; the impairment of goodwill is hence recognized as a critical accounting estimate in Note 5 to the financial statements.

Our key audit procedures performed in respect of the above area included the following:

When evaluating the impairment assessment, we tested the management's assumptions and inputs used for testing the impairment for goodwill, including cash flow projections and discount rates.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Meng-Chieh Chiu and Chin-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2017

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 applied in the Republic of China.

For the convenience of readers, the independent 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 independent auditors' report and financial statements shall prevail.

ADVANTECH CO., LTD.

BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,008,247	6	\$ 815,293	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 25)	34,348	-	7,391	-
Available-for-sale financial assets - current (Notes 4, 8 and 25)	700,269	2	-	-
Notes receivable (Notes 4, 9 and 26)	67,223	-	55,480	-
Trade receivables (Notes 4 and 9)	1,543,604	5	1,135,240	4
Trade receivables from related parties (Notes 4 and 26)	3,908,448	11	3,977,999	13
Other receivables	105,929	-	113,056	-
Other receivables from related parties (Note 26)	19,002	-	15,596	-
Inventories (Notes 4 and 10)	1,935,873	6	1,673,156	5
Other current assets	38,361	-	60,318	-
Total current assets	<u>10,361,304</u>	<u>30</u>	<u>7,853,529</u>	<u>25</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 25)	1,694,801	5	1,700,814	6
Investments accounted for using the equity method (Notes 4 and 11)	15,208,839	44	13,138,225	42
Property, plant and equipment (Notes 4 and 12)	6,938,084	20	6,278,109	20
Goodwill (Notes 4 and 13)	111,599	-	111,599	-
Other intangible assets (Note 4)	78,321	-	74,049	-
Deferred tax assets (Notes 4 and 18)	136,130	1	114,710	1
Prepayments for business facilities	22,676	-	15,489	-
Prepayment for investments	-	-	1,968,044	6
Other noncurrent assets	5,661	-	10,837	-
Total noncurrent assets	<u>24,196,111</u>	<u>70</u>	<u>23,411,876</u>	<u>75</u>
TOTAL	<u>\$ 34,557,415</u>	<u>100</u>	<u>\$ 31,265,405</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 25)	\$ 8,845	-	\$ 6,352	-
Trade payables	1,550,969	4	899,480	3
Trade payables to related parties (Note 26)	2,610,642	8	2,687,130	9
Other payables (Notes 14 and 17)	2,699,374	8	2,255,915	7
Current tax liabilities (Notes 4 and 18)	1,036,650	3	853,769	3
Short-term warranty provision (Note 4)	49,155	-	41,410	-
Other current liabilities	153,992	-	72,312	-
Total current liabilities	<u>8,109,627</u>	<u>23</u>	<u>6,816,368</u>	<u>22</u>
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	988,099	3	927,732	3
Net defined benefit liabilities (Notes 4, 15 and 17)	211,170	1	182,172	-
Other noncurrent liabilities	34,937	-	31,632	-
Total noncurrent liabilities	<u>1,234,206</u>	<u>4</u>	<u>1,141,536</u>	<u>3</u>
Total liabilities	<u>9,343,833</u>	<u>27</u>	<u>7,957,904</u>	<u>25</u>
EQUITY				
Share capital				
Ordinary shares	6,330,741	18	6,318,531	20
Advance receipts for share capital	100	-	-	-
Total share capital	<u>6,330,841</u>	<u>18</u>	<u>6,318,531</u>	<u>20</u>
Capital surplus	6,058,884	18	5,587,555	18
Retained earnings				
Legal reserve	4,473,276	13	3,962,842	13
Unappropriated earnings	8,435,785	24	7,098,449	23
Total retained earnings	<u>12,909,061</u>	<u>37</u>	<u>11,061,291</u>	<u>36</u>
Other equity				
Exchange differences on translating foreign operations	(197,633)	-	271,859	1
Unrealized gains (losses) on available-for-sale financial assets	112,429	-	68,265	-
Total other equity	<u>(85,204)</u>	<u>-</u>	<u>340,124</u>	<u>1</u>
Total equity	<u>25,213,582</u>	<u>73</u>	<u>23,307,501</u>	<u>75</u>
TOTAL	<u>\$ 34,557,415</u>	<u>100</u>	<u>\$ 31,265,405</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)				
Sales	\$ 30,173,747	99	\$ 28,673,906	99
Other operating revenue	<u>327,352</u>	<u>1</u>	<u>321,746</u>	<u>1</u>
Total operating revenue	30,501,099	100	28,995,652	100
OPERATING COSTS (Notes 10, 17 and 26)	<u>21,604,247</u>	<u>70</u>	<u>20,758,574</u>	<u>72</u>
GROSS PROFIT	8,896,852	30	8,237,078	28
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(264,679)	(1)	(330,254)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>330,254</u>	<u>1</u>	<u>240,811</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>8,962,427</u>	<u>30</u>	<u>8,147,635</u>	<u>28</u>
OPERATING EXPENSES (Notes 17 and 26)				
Selling and marketing expenses	659,619	2	704,299	3
General and administrative expenses	884,172	3	693,290	2
Research and development expenses	<u>2,641,219</u>	<u>9</u>	<u>2,568,723</u>	<u>9</u>
Total operating expenses	<u>4,185,010</u>	<u>14</u>	<u>3,966,312</u>	<u>14</u>
OPERATING PROFIT	<u>4,777,417</u>	<u>16</u>	<u>4,181,323</u>	<u>14</u>
NONOPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,581,818	5	1,344,991	5
Interest income (Note 4)	539	-	1,665	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	146,954	1	(161)	-
Gains on disposal of investments (Notes 4 and 16)	1,431	-	198,848	1
Foreign exchange losses, net (Notes 4, 17 and 28)	(140,689)	-	(88,859)	-
Gains on financial instruments at fair value through profit or loss (Note 4)	121,348	-	83,798	-
Dividend income (Note 4)	98,800	-	105,445	-
Other income (Notes 8 and 26)	101,777	-	112,567	-
Finance costs (Note 17)	(4,163)	-	-	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Losses on financial instruments at fair value through profit or loss (Note 4)	\$ (41,381)	-	\$ (67,063)	-
Other losses	<u>(155)</u>	<u>-</u>	<u>(53)</u>	<u>-</u>
Total nonoperating income	<u>1,866,279</u>	<u>6</u>	<u>1,691,178</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	6,643,696	22	5,872,501	20
INCOME TAX EXPENSE (Notes 4 and 18)	<u>976,834</u>	<u>3</u>	<u>768,155</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>5,666,862</u>	<u>19</u>	<u>5,104,346</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	(31,039)	-	(18,736)	-
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Note 11)	1,479	-	(2,683)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 18)	<u>5,277</u>	<u>-</u>	<u>3,185</u>	<u>-</u>
	<u>(24,283)</u>	<u>-</u>	<u>(18,234)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 16)	(561,518)	(2)	(82,566)	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 16)	(5,765)	-	(557,594)	(2)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4, 11 and 16)	45,794	-	65,031	-
Income tax relating to item that may be reclassified subsequently to profit or loss (Notes 4, 16 and 18)	<u>96,161</u>	<u>-</u>	<u>13,620</u>	<u>-</u>
	<u>(425,328)</u>	<u>(2)</u>	<u>(561,509)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(449,611)</u>	<u>(2)</u>	<u>(579,743)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,217,251</u>	<u>17</u>	<u>\$ 4,524,603</u>	<u>16</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$8.96</u>		<u>\$8.08</u>	
Diluted	<u>\$8.90</u>		<u>\$8.05</u>	

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

ADVANTECH CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(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 17)		Other Equity (Notes 4 and 16)		Total Equity
	Share Capital	Advance Receipts for Share Capital		Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2015	\$ 6,301,031	\$ 11,060	\$ 5,306,958	\$ 3,472,064	\$ 6,553,273	\$ 9,825,337	\$ 338,356	\$ 22,346,019
Appropriation of the 2014 earnings	-	-	-	490,778	(490,778)	-	-	-
Legal reserve	-	-	-	-	(3,787,255)	(3,787,255)	-	(3,787,255)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-
Issue of ordinary shares under employee share options	17,500	(11,060)	24,438	-	-	-	-	30,878
Compensation cost recognized for employee share options	-	-	261,877	-	-	-	-	261,877
Change in capital surplus from investments in associates accounted for using equity method	-	-	2,172	-	-	-	-	2,172
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	(11,457)	-	(62,903)	(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)	(579,743)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	5,086,112	5,086,112	(66,497)	4,524,603
BALANCE AT DECEMBER 31, 2015	6,318,531	-	6,318,531	3,962,842	7,098,449	11,061,291	271,859	23,307,501
Appropriation of the 2015 earnings	-	-	-	510,434	(510,434)	-	-	-
Legal reserve	-	-	-	-	(3,791,118)	(3,791,118)	-	(3,791,118)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-
Issue of ordinary shares under employee share options	12,210	100	104,758	-	-	-	-	117,068
Compensation cost recognized for employee share options	-	-	338,194	-	-	-	-	338,194
Change in capital surplus from investments in associates accounted for using equity method	-	-	10,533	-	-	-	-	10,533
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	17,844	-	(3,691)	(3,691)	-	14,153
Net profit for the year ended December 31, 2016	-	-	-	-	5,666,862	5,666,862	-	5,666,862
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(24,283)	(24,283)	(469,492)	(449,611)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	5,642,579	5,642,579	(469,492)	5,217,251
BALANCE AT DECEMBER 31, 2016	\$ 6,330,741	\$ 100	\$ 6,058,884	\$ 4,473,276	\$ 8,435,785	\$ 12,909,061	\$ (197,633)	\$ 25,213,582

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,643,696	\$ 5,872,501
Adjustments for:		
Depreciation expenses	239,135	242,916
Amortization expenses	78,294	74,874
Impairment loss recognized (reversal of impairment loss) of trade receivables	96	(2,203)
Net gain on financial assets or liabilities at fair value through profit or loss	(79,967)	(16,735)
Finance costs	4,163	-
Interest income	(539)	(1,665)
Dividend income	(98,800)	(105,445)
Compensation cost of employee share options	338,194	261,877
Share of profit of subsidiaries and associates accounted for using the equity method	(1,581,818)	(1,344,991)
Loss (gain) on disposal of property, plant and equipment	(146,954)	161
Gain on disposal of investments	(1,431)	(198,848)
Realized loss (gain) on the transactions with subsidiaries and associates	(65,575)	89,443
Changes in operating assets and liabilities		
Financial assets held for trading	55,503	21,877
Notes receivable	(11,743)	(10,161)
Trade receivables	(408,460)	(139,295)
Trade receivables to related parties	69,551	36,412
Other receivables	7,127	(26,992)
Other receivables to related parties	(3,406)	45
Inventories	(262,717)	(268,954)
Other current assets	21,957	(8,670)
Other financial assets	-	18,650
Trade payables	651,489	121,548
Trade payables to related parties	(76,488)	253,194
Other payables	357,649	185,158
Short-term warranty provision	7,745	5,291
Net defined benefit liabilities	(2,041)	(813)
Other current liabilities	81,680	11,088
Other noncurrent liabilities	3,305	(1,975)
Cash generated from operations	5,819,645	5,068,288
Interest received	539	1,665
Dividend received	98,800	105,445
Interest paid	(4,163)	-
Income tax paid	(653,568)	(542,066)
Net cash generated from operating activities	<u>5,261,253</u>	<u>4,633,332</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(4,128,000)	(3,710,080)
Proceeds from sale of available-for-sale financial assets	3,429,410	5,754,213
Acquisition of investments accounted for using equity method	(293,281)	(688,577)
Proceeds from disposal of investments accounted for using the equity method	336,958	-
Prepayment for investments	-	(1,968,044)
Proceeds of the capital reduction of investments accounted for using the equity method	232,330	42,927
Payments for property, plant and equipment	(930,598)	(1,181,375)
Proceeds from disposal of property, plant and equipment	239,507	294
Decrease in refundable deposits	5,176	187
Payments for intangible assets	(76,875)	(62,714)
Proceeds from disposal of intangible assets	58	31
Decrease in prepayments for equipment	11,809	14,609
Dividends received from subsidiaries and associates	<u>779,257</u>	<u>687,589</u>
Net cash used in investing activities	<u>(394,249)</u>	<u>(1,110,940)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	(119)
Cash dividends paid	(3,791,118)	(3,787,255)
Exercise of employee share options	<u>117,068</u>	<u>30,878</u>
Net cash used in financing activities	<u>(3,674,050)</u>	<u>(3,756,496)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,192,954	(234,104)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>815,293</u>	<u>1,049,397</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,008,247</u>	<u>\$ 815,293</u>

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

Advantech Co., Ltd.
2016 Profit Distribution Table

Item	Total
Unappropriated retained earnings - beginning	2,796,896,578
Less: Long-term equity investments	(3,691,230)
Less: Actuarial loss recognized in retained earnings	(24,282,918)
Add: Net income	5,666,862,329
Less: 10% legal reserve appropriated	(566,686,233)
Less: Special reserve appropriated	(85,203,650)
Current earnings available for distribution	7,783,894,876
Distributions:	
Common stock cash dividend (Dividends Per Share \$6.3)	(3,988,366,830)
Share dividends (Dividends Per Share \$1)	(633,074,100)
Unappropriated retained earnings - ending	3,162,453,946

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	The company has seven ~ nine directors. 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 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.	The company has seven ~ nine directors and <u>three supervisors</u> 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.	Sep up the Audit Committee.
Article 13.2	The exercise of power by the <u>audit committee</u> is as follows: 1. Reviewing the operations and financial condition of the Company. 2. Auditing the accounting books and documents of the Company. 3. Other responsibilities assigned in accordance with the law and regulations.	The exercise of power by the <u>supervisors</u> is as follows: 1. Reviewing the operations and financial condition of the Company. 2. Auditing the accounting books and documents of the Company. 3. Other responsibilities assigned in accordance with the law and regulations.	Sep up the Audit Committee.
Article 13.3	The total shares of the Company held by all directors to be processed in accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" published by the competent authorities.	The total shares of the Company held by all directors and supervisors are to be processed in accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" published by the competent authorities.	Sep up the Audit Committee.
Article 13.4	The Company may purchase liability insurance for directors throughout the tenure based on their scope of responsibility.	The Company may purchase liability insurance for directors and supervisors throughout the tenure based on their scope of responsibility.	Sep up the Audit Committee.

No.	After amendment	Before amendment	Remark
Article 13.5	The board of directors is authorized to deliberate and determine the remuneration of all directors according to their participation in and contribution to the Company's business operation and by referring to the remuneration standard of the domestic industry.	The board of directors is authorized to deliberate and determine the remuneration of all directors and supervisors according to their participation in and contribution to the Company's business operation and by referring to the remuneration standard of the domestic industry.	Sep up the Audit Committee.
Article 13.6	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.	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.	Sep up the Audit Committee.
Article 14.1	The Company may at any time in case of emergency convene a board meeting and with the directors informed in writing or by E-mail or fax.	The Company may at any time in case of emergency convene a board meeting and with the directors and supervisors-informed in writing or by E-mail or fax.	Sep up the Audit Committee.
Article 18	The Company's board of directors shall at the end of each fiscal year have the following composed (1) Business Report (2) Financial Reports (3) Profit Distribution Proposals for acknowledgement in the shareholders' meeting.	The Company's board of directors shall at the end of each fiscal year have the following composed (1) Business Report (2) Financial Reports (3) Profit Distribution Proposals for the audit of the supervisors 30 days prior to the shareholders' meeting and for acknowledgement in the shareholders' meeting.	Sep up the Audit Committee.
Article 22	The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted). The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003. The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003. The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005. The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.	The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted). The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003. The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003. The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005. The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.	Update the date of the amendment

No.	After amendment	Before amendment	Remark
	<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 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 35rd amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017.</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 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>	

Advantech Co., Ltd.

Procedures for the Acquisition or Disposal of Assets

No.	After amendment	Before amendment	Remark
Article 3	<p>The term “assets” as used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</u> 6. Derivatives. 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law 8. Other major assets. 	<p>The term “assets” as used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Derivatives.</u> 6. <u>Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law</u> 7. Other major assets. 	<p>According to the governing law and regulations</p>
Article 6	<p><u>After these Procedures have been approved by more than half of all Audit Committee members and the Board of Directors, they shall be submitted to the shareholders' meeting for approval; the same applies when these Procedures are amended. When these Procedures are reported to the Board of Directors for discussion, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of</u></p>	<p><u>These Procedures are established in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the FSC. After these Procedures have been approved by the Board of Directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.</u></p>	<p>According to the actual practice</p>

No.	After amendment	Before amendment	Remark
Article 8	<p><u>the board of directors meeting. When these Procedures are adopted or amended, they shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, these Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting. The terms "all Audit Committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</u></p> <p><u>The Company's acquisition or disposal of assets shall be approved by the Board of Directors under the Company's procedures or other laws or regulations. If a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.</u></p> <p><u>When a transaction involving the acquisition or disposal of assets is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>Major assets or derivatives transactions shall be approved by more than half of all Audit Committee members and reported to the Board of Directors for resolution.</u></p> <p><u>If approval of more than half of all Audit Committee members is not obtained, these procedures may be implemented if approved by more than two-thirds of all</u></p>	<p>When these Procedures are submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p>	According to the actual practice
	<p><u>The Company's acquisition or disposal of assets shall be subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor.</u></p> <p><u>When a transaction involving the acquisition or disposal of assets is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>The Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor.</p> <p>When a transaction involving the acquisition or disposal of assets is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	

No.	After amendment	Before amendment	Remark
Article 9	<p>directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting. The terms “all Audit Committee members” and “all directors” shall be counted as the actual number of persons currently holding those positions.</p> <p><u>In acquiring or disposing of real property or equipment where the transaction amount reaches 20% of the Company’s paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</u></p> <ol style="list-style-type: none"> <u>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</u> <u>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</u> <u>3. Where any one of the following circumstances applies with respect to the professional appraiser’s appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 and render a specific opinion regarding the reason for the</u> 	<p><u>Procedures for Acquisition or Disposal of Real Property or Equipment</u></p> <ol style="list-style-type: none"> <u>1. Evaluation and Operating Procedures</u> The transaction processes of real property and equipment shall be handled in accordance with the operating procedures for fixed asset circulation in the Company’s internal control system. <u>2. Procedures for Determining Trading Terms and Conditions and Authorization Limit</u> (1) <u>When acquiring or disposing of real property, the Company shall determine the trading terms and conditions and trading prices based on the current value, assessed value, and real trading price of nearby real property and have the analysis report submitted to the Board of Directors. If the amount of the transaction is less than NT\$300 million, this shall be approved by the Chairman of the Board and reported to the latest board meeting afterward; if the amount of the transaction is more than NT\$300 million, this shall be approved by the Board of Directors.</u> (2) <u>The acquisition or disposal of equipment shall be performed through enquiry, comparison, bargaining, or bidding. If the amount of the transaction is less than NT\$300 million (inclusive), this shall be approved pursuant to the authorization limit; if the amount of the transaction is more than NT\$300 million, this shall be approved by the President and the Board of Directors.</u> 	According to the governing law and regulations

No.	After amendment	Before amendment	Remark
	<p>discrepancy and the appropriateness of the transaction price:</p> <p>(1) <u>The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</u></p> <p>(2) <u>The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</u></p> <p>4. <u>No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</u></p>	<p>3. <u>Units Responsible for Implementation</u> <u>After the acquisition or disposal of real property or equipment is approved based on the authorization limit stipulated in the preceding paragraph, the department using such real property or equipment and Administration Department is responsible for implementation.</u></p> <p>4. <u>Appraisal Report on Real Property or Other Fixed Assets</u> <u>In acquiring or disposing of real property or equipment where the transaction amount reaches NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</u> (1) <u>Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</u> (2) <u>Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</u> (3) <u>Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the</u></p>	

No.	After amendment	Before amendment	Remark
Article 11	<p><u>Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, except in transactions with</u></p>	<p><u>appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</u></p> <p><u>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</u></p> <p><u>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</u></p> <p><u>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</u></p> <p><u>(5) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</u></p>	According to the governing law and regulations
	<p><u>Procedures for Acquisition or Disposal of Memberships or Intangible Assets</u></p> <p><u>I. Evaluation and Operating Procedures</u></p> <p><u>The transaction processes of memberships or</u></p>		

No.	After amendment	Before amendment	Remark
	<p>a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20.</p>	<p>intangible assets shall be handled in accordance with the operating procedures for fixed asset circulation in the Company's internal control system.</p> <p>2. <u>Procedures for Determining Trading Terms and Conditions and Authorization Limit</u></p> <p>(1) <u>The trading terms and conditions and prices of acquisition or disposal of memberships shall be determined by the Company based on the market fair price, with the analysis report submitted to the President for approval. The amount of each transaction less than 1% of the Company's paid-in capital or NT\$300 million shall be reported to the Board of Directors for approval and the soonest board meeting for future reference; the amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.</u></p> <p><u>(2) The trading terms and conditions and prices of acquisition or disposal of intangible assets shall be determined by the Company based on the appraisal report or market fair price, with the analysis report submitted to the President for approval. The amount of each transaction less than 10% of the Company's paid-in capital or NT\$300 million shall be reported to the Chairman of the Board for approval and the soonest board meeting for future reference; the amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.</u></p> <p>3. <u>Units Responsible for Implementation</u></p> <p><u>After the acquisition or disposal of memberships or intangible assets is approved based on the authorization limit stipulated in the preceding</u></p>	

No.	After amendment	Before amendment	Remark
Article 14	<p>When the Company intends to acquire or dispose of real property from or to a related party, <u>regardless of the amount, or when it intends to acquire or dispose of assets other than real property from or to a related party at the amount reaching 20% of the Company's paid-in capital, 10% of its total assets or NT\$300 million, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members and the Board of Directors:</u></p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the 	<p>paragraph, the department using such memberships or intangible assets and Finance Department or Administration Department are responsible for implementation.</p> <p>4. <u>Appraisal Report on Memberships or Intangible Assets</u> <u>Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$30 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDE.</u></p> <p>When the Company intends to acquire or dispose of real property from or to a related party and when it intends to acquire or dispose of assets other than real property from or to a related party, regardless of the amount and except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16. 4. The date and price at which the related party originally 	According to the governing law and regulations

No.	After amendment	Before amendment	Remark
	<p>reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</p> <p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <u>Article 30</u> herein, and "within the preceding year" as used herein refers to the date of occurrence of the current transaction. Items that have been announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its parent company or subsidiaries, the Company's Board of Directors may pursuant to Article 9 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any</p>	<p>acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <u>Paragraph 2 of Article 27</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's Board of Directors may pursuant to Paragraph 2 of Article 9 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	

No.	After amendment	Before amendment	Remark
Article 17	<p>matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p><u>If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, these procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting. The terms “all Audit Committee members” and “all directors” shall be counted as the actual number of persons currently holding those positions.</u></p> <p>Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 15 and Article 16 are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in a company's equity stake in the other company. 2. The <u>Audit Committee</u> shall comply with Article 218 of the Company Act. 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. 	<p>Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 15 and Article 16 are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Supervisors shall comply with Article 218 of the Company Act. 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. 	According to the actual practice

No.	After amendment	Before amendment	Remark
Article 21	<p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> <p>The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 19 and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of Article 20 shall be recorded in detail in the log book.</p> <p>A public company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the <u>Audit Committee</u> shall be notified in writing.</p>	<p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> <p>The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 19 and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of Article 20 shall be recorded in detail in the log book.</p> <p>A public company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.</p>	According to the actual practice
Article 22	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other</p>	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other</p>	According to the governing law and regulations

No.	After amendment	Before amendment	Remark
Article 30	<p>property to shareholders, and submit it to the Board of Directors for deliberation and passage. <u>However, an opinion rendered by an expert on the reasonableness of a merger with subsidiaries whose 100% of shares issued or total capital are directly or indirectly held by the Company or a merger between subsidiaries whose 100% of shares issued or total capital are directly or indirectly held by the Company may be exempted.</u></p> <p>Procedures for Public Disclosure of Information</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, <u>regardless of the amount</u>, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets one of the following requirements: (1) The paid-in capital is less than NT\$10 billion and 	<p>property to shareholders, and submit it to the Board of Directors for deliberation and passage.</p> <p>Procedures for Public Disclosure of Information</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: 	According to the governing law and regulations

No.	After amendment	Before amendment	Remark
	<p>the transaction amount is more than NT\$500 million.</p> <p><u>(2) The paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion.</u></p> <p>5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) <u>Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of corporate bonds and general financial bonds not involving no equity in the domestic primary market or securities by a securities firm due to business needs or a securities firm recommended for listed companies at the emerging stock market in accordance with the regulations of Taipei Exchange.</u></p> <p>(3) Trading of bonds under repurchase/resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows and "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date</p>	<p>(1) Trading of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</p> <p>(3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(4) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows and "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 	

No.	After amendment	Before amendment	Remark
	<p>of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>	<p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>	

No.	After amendment	Before amendment	Remark
Article 30	<p>all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>These Procedures were established on May 3, 1997. The 1st amendment was made on November 29, 1999. The 2nd amendment was made on May 30, 2002. The 3rd amendment was made on May 2, 2003. The 4th amendment was made on May 27, 2004. The 5th amendment was made on June 16, 2006. The 6th amendment was made on June 15, 2007. The 7th amendment was made on June 13, 2012. The 8th amendment was made on June 18, 2014. The 9th amendment was made on May 26, 2017.</p>	<p>These Procedures were established on May 3, 1997. The 1st amendment was made on November 29, 1999. The 2nd amendment was made on May 30, 2002. The 3rd amendment was made on May 2, 2003. The 4th amendment was made on May 27, 2004. The 5th amendment was made on June 16, 2006. The 6th amendment was made on June 15, 2007. The 7th amendment was made on June 13, 2012. The 8th amendment was made on June 18, 2014.</p>	Update the date of the amendment

Advantech Co., Ltd.

Procedures for Lending Funds to Other Parties

No.	After amendment	Before amendment	Remark
Article 3	<p>Lending Counterparts</p> <p>Lending counterparts in need of short-term financing shall be limited to a subsidiary in which the Company holds 50% of the voting shares or companies with the de facto control having the need of short-term financing due to business needs.</p> <p>The phrase “short-term” mentioned above shall mean within one year or a business cycle (whichever is longer). Foreign companies, of which the Company directly or indirectly holds 100% of the voting shares, if engaged in the lending business, will be exempt from the restrictions referred to in the first paragraph of Article 4.</p>	<p>Lending Counterparts</p> <p>Companies or firms in need of short-term financing.</p> <p>Lending counterparts in need of short-term financing shall be limited to a subsidiary in which the Company holds 50% of the voting shares or companies with the de facto control having the need of short-term financing due to business needs.</p> <p>The phrase “short-term” mentioned above shall mean within one year or a business cycle (whichever is longer). Foreign companies, of which the Company directly or indirectly holds 100% of the voting shares, if engaged in the lending business, will be exempt from the restrictions referred to in the first paragraph of Article 4.</p>	According to the actual practice
Article 4	<p>Lending Amount and Financing Limit</p> <p>The total amount lent to others (loanable funds) shall not exceed 20% of the net value of the Company. The total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds.</p>	<p>Lending Amount and Financing Limit</p> <p>1. The total amount lent to others (loanable funds) shall not exceed 20% of the net value of the Company. The total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds.</p> <p>2. In the case of lending funds to companies or firms who have a business relationship with the Company, the total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds or the total amount of the business transactions between the Company and the borrower, whichever is lower, and the maximum amount stipulated in the preceding paragraph.</p>	According to the actual practice
Article 8	<p>Procedures for Fund Lending and Detailed Review</p> <p>1. Application:</p> <p>A. When applying for a loan with the Company, a borrower shall submit the application form or an official letter specifying the amount, term and purpose</p>	<p>Procedures for Fund Lending and Detailed Review</p> <p>1. Application:</p> <p>A. When applying for a loan with the Company, a borrower shall submit the application form or an official letter specifying the amount, term and purpose of the</p>	According to the actual practice

No.	After amendment	Before amendment	Remark
	<p>of the loan to the Company's Finance Department.</p> <p>B. Where a loan is given due to needs arising from business dealings, the finance unit shall evaluate whether the amount of the loan is commensurate with the amount of transactions and in compliance with these Operational Procedures.</p> <p>C. Where a borrower in need of short-term financing applies for a loan, the Company shall evaluate the necessity of financing and investigate the borrower's credit status.</p> <p>D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval.</p> <p>2. Credit Investigation and Risk Assessment</p> <p>A. For a first-time borrower, the borrower shall provide basic information and financial information to facilitate the credit investigation.</p> <p>B. For a subsequent borrower, the credit investigation shall be carried out when the borrower applies for the renewal. In case of a major or urgent event, the credit investigation shall be carried out at any time depending on the actual needs.</p> <p>C. If the borrower is in good financial condition and has had the annual financial statements audited by CPAs, the investigation report made for less than a year and the auditors' report may be adopted as the reference.</p> <p>D. When carrying out the credit investigation, the Company shall make a detailed assessment of the impact of the loan on the Company's business operations, financial conditions, and shareholders' equity.</p> <p>3. Contract Signing and Identity Verification</p> <p>A. The person in charge of lending funds shall fill in the loan contract based on the approved conditions to proceed with the contract signing.</p>	<p>loan to the Company's Finance Department.</p> <p>B. Where a loan is given due to needs arising from business dealings, the finance unit shall evaluate whether the amount of the loan is commensurate with the amount of transactions and in compliance with these Operational Procedures.</p> <p>C. Where a borrower in need of short-term financing applies for a loan, the Company shall evaluate the necessity of financing and investigate the borrower's credit status.</p> <p>D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval.</p> <p>2. Credit Investigation and Risk Assessment</p> <p>A. For a first-time borrower, the borrower shall provide basic information and financial information to facilitate the credit investigation.</p> <p>B. For a subsequent borrower, the credit investigation shall be carried out when the borrower applies for the renewal. In case of a major or urgent event, the credit investigation shall be carried out at any time depending on the actual needs.</p> <p>C. If the borrower is in good financial condition and has had the annual financial statements audited by CPAs, the investigation report made for less than a year and the auditors' report may be adopted as the reference.</p> <p>D. When carrying out the credit investigation, the Company shall make a detailed assessment of the impact of the loan on the Company's business operations, financial conditions, and shareholders' equity.</p> <p>3. Contract Signing and Identity Verification</p> <p>A. The person in charge of lending funds shall fill in the loan contract based on the approved conditions to proceed with the contract signing.</p> <p>B. After the borrower and the joint guarantor sign the</p>	

No.	After amendment	Before amendment	Remark
	<p>B. After the borrower and the joint guarantor sign the loan contract, the person in charge shall perform the procedures for verifying their identities.</p> <p>4. Appraisal of Collateral Value and Setting of Rights When applying for a loan, a borrower, after being verified to provide collateral, shall provide a pledge on equivalent real property or securities or the promissory note, which matures on the expected date of repayment and is signed by the joint guarantor, for the Company as security. When the joint guarantor is a company or a firm, the Company shall examine whether its articles of incorporation and minutes of the board meeting permit the guarantee.</p> <p>5. Insurance Except for land and securities, fire insurance and related insurance shall be purchased for other collateral in related insurance shall be purchased for other collaterals at the amount not less than the collateral in pledge. The Company shall be specified as the beneficiary in the insurance policy. The name, quantity, place of storage, beneficiary in the insurance policy. The name, quantity, place of storage, and insurance conditions and endorsements of the subject policy shall be consistent with the loan conditions approved by the Company.</p> <p>The person in charge shall notify the borrower of a renewal before the term of the insurance expires.</p> <p>6. Appropriation The loan will be appropriated after a borrower sign the contract, submit the promissory note, set the mortgage, and purchase the insurance.</p> <p>7. Account Keeping When the Company completes the procedures for lending each fund, Finance Department shall make an entry for collateral or credit guarantee obtained.</p> <p>8. The Company shall establish a log book for its loan activities and record in detail the following information</p>	<p>loan contract, the person in charge shall perform the procedures for verifying their identities.</p> <p>4. Appraisal of Collateral Value and Setting of Rights When applying for a loan, a borrower, after being verified to provide collateral, shall provide a pledge on equivalent real property or securities or the promissory note, which matures on the expected date of repayment and is signed by the joint guarantor, for the Company as security. When the joint guarantor is a company or a firm, the Company shall examine whether its articles of incorporation and minutes of the board meeting permit the guarantee.</p> <p>5. Insurance Except for land and securities, fire insurance and related insurance shall be purchased for other collaterals at the amount not less than the collateral in pledge. The Company shall be specified as the beneficiary in the insurance policy. The name, quantity, place of storage, and insurance conditions and endorsements of the subject specified in the insurance policy shall be consistent with the loan conditions approved by the Company.</p> <p>The person in charge shall notify the borrower of a renewal before the term of the insurance expires.</p> <p>6. Appropriation The loan will be appropriated after a borrower sign the contract, submit the promissory note, set the mortgage, and purchase the insurance.</p> <p>7. Account Keeping When the Company completes the procedures for lending each fund, Finance Department shall make an entry for collateral or credit guarantee obtained.</p> <p>8. The Company shall establish a log book for its loan activities and record in detail the following information for future reference: the entity to which the loan is given, the amount, the date of passage by the Board of</p>	

No.	After amendment	Before amendment	Remark
Article 13	<p>for future reference: the entity to which the loan is given, the amount, the date of passage by the Board of Directors, the date the loan is appropriated, and matters to be evaluated in accordance with Article 7.</p> <p>9. If, due to changes of circumstances, the party to whom the Company gives a loan no longer satisfies the criteria set forth herein, or the balance of a loan exceeds the limits, a corrective plan shall be provided to the <u>Audit Committee</u> and the proposed corrections shall be implemented within the period specified in the plan.</p> <p>Implementation and Amendment</p> <p>These Operational Procedures shall be approved by the Board of Directors and then sent to the <u>Audit Committee</u> and proposed at the shareholders' meeting for approval. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the <u>Audit Committee</u> and the shareholders' meeting for discussion any amendment hereto is subject to the same procedures.</p> <p>If the Company has established independent directors, when submitting these Operational Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	<p>Directors, the date the loan is appropriated, and matters to be evaluated in accordance with Article 7.</p> <p>9. If, due to changes of circumstances, the party to whom the Company gives a loan no longer satisfies the criteria set forth herein, or the balance of a loan exceeds the limits, a corrective plan shall be provided to all supervisors and the proposed corrections shall be implemented within the period specified in the plan.</p> <p>Implementation and Amendment</p> <p>These Operational Procedures shall be approved by the Board of Directors and then sent to all supervisors and proposed at the shareholders' meeting for approval. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the supervisors and the shareholders' meeting for discussion any amendment hereto is subject to the same procedures.</p> <p>If the Company has established independent directors, when submitting these Operational Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	According to the actual practice
Article 14	<p>Procedures for Managing Funds Lent to Subsidiaries:</p> <p>1. For a subsidiary in which the Company directly or indirectly holds more than 50% of the voting shares and which is not a public company of the Republic of China, these Operational Procedures shall be followed. The net value shall be calculated based on the Company's net value. The Company shall submit the previous month's balance of its loaned funds to Finance Department by the 5th day of each month.</p>	<p>Procedures for Managing Funds Lent to Subsidiaries:</p> <p>For a subsidiary in which the Company directly or indirectly holds more than 50% of the voting shares and which is not a public company of the Republic of China, these Operational Procedures shall be followed. The net value shall be calculated based on the Company's net value. The Company shall submit the previous month's balance of its loaned funds to Finance Department by the 5th day of each month.</p>	According to the actual practice

No.	After amendment	Before amendment	Remark
Article 15	<p>2. Internal auditors of the Company shall perform the audit on the lending of funds of the subsidiaries based on the annual audit plan. In the case that a material violation is found, internal auditors shall continuously follow up the improvements and submit the follow-up report to the Board of Directors and the <u>Audit Committee</u>.</p> <p><u>These Procedures were established on May 3, 1997.</u> <u>The 1st amendment was made on May 30, 2002.</u> <u>The 2nd amendment was made on May 2, 2003.</u> <u>The 3rd amendment was made on May 15, 2009.</u> <u>The 4th amendment was made on May 18, 2010.</u> <u>The 5th amendment was made on June 13, 2013.</u> <u>The 6th amendment was made on May 26, 2017.</u></p>	<p>Internal auditors of the Company shall perform the audit on the lending of funds of the subsidiaries based on the annual audit plan. In the case that a material violation is found, internal auditors shall continuously follow up the improvements and submit the follow-up report to the Board of Directors and all supervisors.</p> <p>These Procedures were established on May 3, 1997. The 1st amendment was made on May 30, 2002. The 2nd amendment was made on May 2, 2003. The 3rd amendment was made on May 15, 2009. The 4th amendment was made on May 18, 2010. The 5th amendment was made on June 13, 2013.</p>	Update the date of the amendment

Advantech Co., Ltd.

Procedures for Endorsement & Guarantee

No.	After amendment	Before amendment	Remark
Article 5.1	<p>Level of Authorization</p> <p>Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference.</p> <p>In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan containing a timetable to withdraw the excess portion.</p> <p>If, due to changes of circumstances, the party to whom the Company provides an endorsement and/or guarantee no longer satisfies the criteria set forth herein, or the amount of endorsement and/or guarantee exceeds the limits, a corrective plan shall be provided to all supervisors and the proposed corrections shall be implemented within the <u>Audit Committee</u> and the proposed corrections shall be implemented within the period specified in the plan.</p>	<p>Level of Authorization</p> <p>Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference.</p> <p>In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan containing a timetable to withdraw the excess portion.</p> <p>If, due to changes of circumstances, the party to whom the Company provides an endorsement and/or guarantee no longer satisfies the criteria set forth herein, or the amount of endorsement and/or guarantee exceeds the limits, a corrective plan shall be provided to all supervisors and the proposed corrections shall be implemented within the period specified in the plan.</p>	According to the actual practice
Article 11	Internal auditors of the Company shall perform the audit on the Company's endorsement and/or guarantee	Internal auditors of the Company shall perform the audit on the Company's endorsement and/or guarantee profile at	According to the actual practice

No.	After amendment	Before amendment	Remark
Article 12	<p>profile at least once per quarter and produce written auditing reports. In the case that a material violation is found, internal audit shall immediately notify the <u>Audit Committee</u> in writing.</p> <p>These Procedures shall be implemented upon approval of the Board of Directors, the <u>Audit Committee</u> and the shareholders' meeting. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the <u>Audit Committee</u> and the shareholders' meeting for discussion. Any amendment hereto is subject to the same procedures</p> <p>If the Company has established independent directors, when submitting these Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	<p>least once per quarter and produce written auditing reports. In the case that a material violation is found, internal audit shall immediately notify the supervisors-in writing.</p> <p>These Procedures shall be implemented upon approval of the Board of Directors, all supervisors and the shareholders' meeting. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the supervisors and the shareholders' meeting for discussion. Any amendment hereto is subject to the same procedures.</p> <p>If the Company has established independent directors, when submitting these Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	According to the actual practice
Article 13	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on May 2, 2003.</p> <p>The 2nd amendment was made on June 16, 2006.</p> <p>The 3rd amendment was made on May 15, 2009.</p> <p>The 4th amendment was made on May 18, 2010.</p> <p>The 5th amendment was made on May 26, 2017.</p>	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on May 2, 2003.</p> <p>The 2nd amendment was made on June 16, 2006.</p> <p>The 3rd amendment was made on May 15, 2009.</p> <p>The 4th amendment was made on May 18, 2010.</p>	Update the date of the amendment

Advantech Co., Ltd.

Procedures for Financial Derivatives Transactions

No.	After amendment	Before amendment	Remark
Article 8	<p>Implementation and Amendment These Procedure shall be submitted to the <u>Audit Committee</u> and the shareholders' meeting for approval after the resolution of the Board of Directors; the same procedure shall apply with any amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee. Where the position of independent director has been created by the Company, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p>	<p>Implementation and Amendment These Procedure shall be submitted to each supervisor and the shareholders' meeting for approval after the resolution of the Board of Directors; the same procedure shall apply with any amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor. Where the position of independent director has been created by the Company, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p>	According to the actual practice
Article 9	<p>These Procedures were established on May 3, 1997. The 1st amendment was made on April 18, 1998. The 2nd amendment was made on May 2, 2003. The 3rd amendment was made on May 24, 2005. The 4th amendment was made on May 18, 2010 The 5th amendment was made on June 18, 2014. The <u>6th amendment was made on May 26, 2017.</u></p>	<p>These Procedures were established on May 3, 1997. The 1st amendment was made on April 18, 1998. The 2nd amendment was made on May 2, 2003. The 3rd amendment was made on May 24, 2005. The 4th amendment was made on May 18, 2010 The 5th amendment was made on June 18, 2014.</p>	Update the date of the amendment

Advantech Co., Ltd.

Rules and Procedure for Shareholders' Meetings

No.	After amendment	Before amendment	Remark
Article 14.1	<p>The election of directors, if any, in the shareholders' meeting should be handled in accordance with the relevant norms of the Company and the election result should be announced immediately in the meeting, including the name of the elected directors and supervisors and the respective number of voting rights. The ballots casted in the election referred to above shall be sealed and signed by the ballot inspectors for safekeeping for at least one year; however, they should be reserved until the end of the legal proceeding that is filed by the shareholders in accordance with Article 189 of the Company Law.</p>	<p>The election of directors and supervisors, if any, in the shareholders' meeting should be handled in accordance with the relevant norms of the Company and the election result should be announced immediately in the meeting, including the name of the elected directors and supervisors and the respective number of voting rights. The ballots casted in the election referred to above shall be sealed and signed by the ballot inspectors for safekeeping for at least one year; however, they should be reserved until the end of the legal proceeding that is filed by the shareholders in accordance with Article 189 of the Company Law.</p>	According to the actual practice
Article 19	<p>These Procedures were established on May 3, 1997. The 1st amendment was made on April 24, 1999. The 2nd amendment was made on May 30, 2002. The 3rd amendment was made on June 16, 2006. The 4th amendment was made on May 18, 2010 The 5th amendment was made on June 13, 2012. The 6th amendment was made on May 26, 2017.</p>	<p>These Procedures were established on May 3, 1997. The 1st amendment was made on April 24, 1999. The 2nd amendment was made on May 30, 2002. The 3rd amendment was made on June 16, 2006. The 4th amendment was made on May 18, 2010 The 5th amendment was made on June 13, 2012.</p>	Update the date of the amendment

APPENDICES

III. Appendices

< Appendix I >

Corporate Charter (Articles of Incorporation) (Before Amendment)

Chapter 1 General Rules

- Article 1 : The Company was organized in accordance with the provisions of the Company Law and was known as “Advantech Co., Ltd.”
- Article 2 : The Company’s business operation is as follows:
1. CC01060 Wire communications machinery and equipment manufacturing
 2. CC01070 Wireless communications machinery and equipment manufacturing
 3. CC01080 Electronic Components Manufacturing
 4. CC01110 Computer and peripheral equipment manufacturing
 5. CE01010 General equipment manufacturing
 6. E605010 Computer equipment installation industry
 7. EZ05010 Instrument and meters installation engineering
 8. I301010 IT software services industry
 9. I301020 Data processing services
 10. I301030 Electronic information supply services
 11. CC01101 RF controlled telecommunications equipment manufacturing
 12. F401021 RF controlled telecommunications equipment importing
 13. IG03010 Energy and Technical Services
 14. CC01030 Electrical appliances and audio-video electronic products manufacturing
 15. F113020 Electrical appliances wholesale
 16. F213010 Electrical appliances retail
 17. ZZ99999 In addition to the licensed businesses, may conduct other businesses that are not prohibited or restricted.
- Article 2.1 : The Company for business needs may conduct the making of endorsement and guarantee.
- Article 3 : The Company’s headquarters is in Taipei and may setup offshore branches with the resolution of the board of directors.
- Article 4 : The Company may have announcements made in accordance with Article 28 of the Company Law.

Chapter 1 Shares

- Article 5 : The Company’s total capital amounted to NT\$8 billion with 800 million shares authorized at NT\$10 par. The board of directors is authorized to have stock shares issue separately. For the total capital referred to above, NT\$500 million is reserved for exercising stock option with warrant or bonds with attached warrants. The Company has stock shares transferred to employees at a price below the average repurchase price; also, the transaction prior to the transfer of shares should be presented in the most recent shareholders’ meeting that is attended by the shareholders with a majority shareholding and approved by the attending shareholders with two thirds of the shareholding.
- Article 5.1 : When the Company issuing employee warrants at a price below the Company’s common stock closing price on the issuing date, the transaction of share issuance should be presented in the shareholders’ meeting that is attended by the shareholders with a majority shareholding and approved by the attending shareholders with two thirds of the shareholding.
- Article 6 : Deleted
- Article 6.1 : The Company may be requested by Taiwan Depository and Clearing Corp. to issue large denomination stocks.

- Article 7 : The Company's stock shares are ordered with the signature or seal of three or more directors affixed and numbered; also, are issued after proper certification. The Company is exempted from having the stock shares printed out after issuance; however, the Company should contact the securities depository and clearing institution for registration.
- Article 8 : The registration for any change made to the Shareholder Registry should be ceased 60 days prior to the general shareholders' meeting, 30 days prior to the extraordinary shareholders' meeting, or 5 days prior to the Company's deciding to distribute dividends and bonuses or other benefits.
- Chapter 3 Shareholders' meeting**
- Article 9 : Shareholders' meeting includes general shareholders' meeting and extraordinary shareholders' meeting. General shareholders' meeting is held annually and it is convened by the board of directors lawfully six months after the fiscal year. Extraordinary shareholders' meeting is convened when it is necessary.
- Article 10 : Shareholders who are unable to attend the shareholders' meeting in person may have a representative appointed to attend the meeting by issuing the proxy that is printed by the Company with the scope of authorization specified and then signed or sealed. The proxy referred to above is regulated in accordance with the "Regulations for the Use of Proxies for Shareholders' Meeting of Public Companies."
- Article 11 : It is one voting right per share for the shareholders of the Company, except for those subject to restrictions or those who have no voting right according to the Company Law.
- Article 12 : The resolution reached in the shareholders' meeting, unless otherwise provided by law, can be enforced after being presented in the shareholders' meeting that is attended by a majority of shareholders in person or by proxy and approved by the attending shareholders with a majority shareholding.
- Chapter 4 Directors and supervisors**
- Article 13 : The company has seven ~ nine 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.
- Article 13.1 : The exercise of power by the board of directors is as follows:
1. The elaboration of the Corporate Charter
 2. The elaboration of the Company's business plan
 3. The elaboration of the Company's profit distribution
 4. The elaboration of the Company's capital increase and decrease
 5. The review and approval of the Company's budget and the preparation of the Company's final account
 6. The elaboration of the acquisition and disposal of fixed assets by the Company and the investment in other businesses
 7. The powers endowed in accordance with the law and regulations and in the shareholders' meeting
- Article 13.2 : The exercise of power by the supervisors is as follows:
1. Reviewing the operations and financial condition of the Company
 2. Auditing the accounting books and documents of the Company
 3. Other responsibilities assigned in accordance with the law and regulations

- Article 13.3 : The total shares of the Company held by all directors and supervisors are to be processed in accordance with the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies” published by the competent authorities.
- Article 13.4 : The Company may purchase liability insurance for directors and supervisors throughout the tenure based on their scope of responsibility.
- Article 13.5 : The board of directors is authorized to deliberate and determine the remuneration of all directors and supervisors according to their participation in and contribution to the Company’s business operation and by referring to the remuneration standard of the domestic industry.
- Article 13.6 : 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.
- Article 14 : The Board of Directors is formed by the directors. The Chairman is elected by a majority of the attending directors at the board meeting that is attended by two thirds of the directors.
- Article 14.1 : The Company may at any time in case of emergency convene a board meeting and with the directors and supervisors informed in writing or by E-mail or fax.
- Article 15 : When the Chairman is unable to exercise powers due to a leave or for other reasons, the matter regarding the deputy of the Chairman should be handled in accordance with Article 208 of the Company Law.
- Article 15.1 : The resolutions of the board of directors, unless otherwise provided by the Company Law and the Corporate Charter, shall be exercised with the consent of a majority of the attending directors at the board meeting that is attended by a majority of the directors. Directors should attend board meetings in person. The director who is unable to attend board meetings in person may authorize another director in writing to attend the board meetings; however, a proxy should be issued each time with the scope of authorization detailed to have one and only deputy delegated.
- Article 16 : Deleted
- Chapter 5 Managers**
- Article 17 : The Company may have several managers appointed; also, the appointment, dismissal, and remuneration should be processed in accordance with Article 29 of the Company Law.
- Chapter 6 Accountant**
- Article 18 : The Company’s board of directors shall at the end of each fiscal year have the following composed (1) Business Report (2) Financial Reports (3) Profit Distribution Proposals for the audit of the supervisors 30 days prior to the shareholders’ meeting and for acknowledgement in the shareholders’ meeting.
- Article 19 : Deleted
- Article 19.1 : The Company engages in high-tech computer and Internet-related industries and is in the growth stage of the business life cycle. In response to the overall business environment and industry growth characteristics and the pursuit of the Company’s sustainable development, the long-term interests of shareholders, the stable operating performance goal, and the stable growth of earnings per share in accordance with the Company’s future capital expenditure budget and fund needs, the Company’s stock dividend distribution is limited to 75% of the total dividend planned for distribution.

- Article 20 : 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 remuneration to directors and supervisors according to the ratio referred to above.
- Article 20.1 : The Company's reinvestment may exceed 40% of the paid-in capital and with the board of directors authorized to execute it.
- Article 20.2 : 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.
- Chapter 7 Annexes**
- Article 21 : The matters that are not addressed in the Corporate Charter should be processed in accordance with the Company Law and the related regulations.
- Article 22 : The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).
 The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.
 The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.
 The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.
 The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.
 The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.
 The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.
 The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.
 The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.
 The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.
 The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.
 The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012
 The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.
 The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.
 The 34rd amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.

Advantech Co., Ltd.

Procedures for the Acquisition or Disposal of Assets (before Amendment)

- Chapter I** General Principles
- Article 1** : The Company's Procedures for the Acquisition and Disposal of Assets (these Procedures) are established in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the regulations of Financial Supervisory Commission (the FSC).
- Article 2** : The Company shall handle the acquisition or disposal of assets in compliance with these Procedures; provided, where another law or regulation provides otherwise, such provisions shall govern.
- Article 3** : The term "assets" as used in these Procedures includes the following:
1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
 3. Memberships.
 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
 5. Derivatives.
 6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law
 7. Other major assets.
- Article 4** : Terms used in these Procedures are defined as follows:
1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
 2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
 3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or other fixed assets.
 5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
 6. Mainland China area investment: Refers to investments in the mainland

China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5 : Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Chapter II Disposition Procedures

Section 1 Establishment of Disposition Procedures

Article 6 : These Procedures are established in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the FSC. After these Procedures have been approved by the Board of Directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.

When these Procedures are submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.

Article 7 : The Limit of Investment in Non-business Real Property and Securities
The limit of the above assets acquired by the Company and its subsidiaries is set up respectively as follows:

1. The total amount of non-business real property and short-term securities purchased by the Company shall be no more than 30% of the Company's shareholders' equity and the investment of short-term securities shall be no more than 10% of the Company's shareholders' equity.
2. The total amount of non-business real property and short-term securities purchased by each subsidiary of the Company and the respective investment of short-term securities shall be no more than each subsidiary's shareholders' equity.
3. The total amount of long-term securities invested by the Company shall be no more than its capital and the investment in a single company (actual invested funds) shall be no more than 40% of the Company's capital.
4. The total amount of long-term securities invested by each subsidiary of the Company and the respective investment in a single company (actual invested funds) shall be no more than its capital.

Article 8 : With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor.

When a transaction involving the acquisition or disposal of assets is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Section 2 Acquisition or Disposal of Assets

Article 9 : Procedures for Acquisition or Disposal of Real Property or Equipment
2. Evaluation and Operating Procedures

The transaction processes of real property and equipment shall be handled in accordance with the operating procedures for fixed asset circulation in the Company's internal control system.

2. Procedures for Determining Trading Terms and Conditions and Authorization Limit

(1) When acquiring or disposing of real property, the Company shall determine the trading terms and conditions and trading prices based on the current value, assessed value, and real trading price of nearby real property and have the analysis report submitted to the Board of Directors. If the amount of the transaction is less than NT\$300 million, this shall be approved by the Chairman of the Board and reported to the latest board meeting afterward; if the amount of the transaction is more than NT\$300 million, this shall be approved by the Board of Directors.

(2) The acquisition or disposal of equipment shall be performed through enquiry, comparison, bargaining, or bidding. If the amount of the transaction is less than NT\$300 million (inclusive), this shall be approved pursuant to the authorization limit; if the amount of the transaction is more than NT\$300 million, this shall be approved by the President and the Board of Directors.

3. Units Responsible for Implementation

After the acquisition or disposal of real property or equipment is approved based on the authorization limit stipulated in the preceding paragraph, the department using such real property or equipment and Administration Department is responsible for implementation.

4. Appraisal Report on Real Property or Other Fixed Assets

In acquiring or disposing of real property or equipment where the transaction amount reaches NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (5) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 10 : Procedures for Acquisition or Disposal of Securities

1. Evaluation and Operating Procedures

The transaction processes of securities shall be handled in accordance with the operating procedures for investment circulation in the Company's internal control system.

2. Procedures for Determining Trading Terms and Conditions and Authorization Limit

- (1) The trading terms and conditions and authorization limit of securities traded on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM) shall be determined by the responsible unit based on the market condition and the Company's authorization limit and handled by the related unit supervisors. The amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.
- (2) The trading terms and conditions and authorization limit of securities not traded on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM) shall be determined by the Company by obtaining financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the trading price and taking into account the net value per share, profitability, and trend of future development and handled by the related unit supervisors. The amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.
- (3) The acquisition of money market funds with fixed income shall be approved by the authorized financial officer.

3. Units Responsible for Implementation

After the investment in securities is approved based on the authorization limit of the Company, the finance unit is responsible for implementation.

4. Expert Opinion

The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.

- (1) Securities acquired through cash contribution in an incorporation by promotion or by public offering.
- (2) Securities issued at face value by an issuing company carrying out a

- cash capital increase in accordance with relevant laws and regulations, with this Corporation as a sponsor of the issue.
- (3) Securities issued by an investee company wholly invested by this Corporation that is carrying out a cash capital increase, with this Corporation as a sponsor of the issue.
 - (4) Securities listed and traded on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM) and emerging stocks.
 - (5) Government bonds or bonds in repurchase or reverse purchase agreements.
 - (6) Domestic funds or overseas funds.
 - (7) TWSE or GTSM listed securities acquired or disposed of in accordance with the TWSE or GTSM rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.
 - (8) Securities acquired through this Corporation's sponsorship of a cash capital increase by a public company, when the securities acquired are not privately placed.
 - (9) Subscription to fund shares before the establishment of a fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act and the Financial Supervisory Commission's 1 November 2004 Order No. Financial-Supervisory-Securities-IV-0930005249.
 - (10) Subscription or redemption of domestic private placement funds, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 11 : Procedures for Acquisition or Disposal of Memberships or Intangible Assets

2. Evaluation and Operating Procedures

The transaction processes of memberships or intangible assets shall be handled in accordance with the operating procedures for fixed asset circulation in the Company's internal control system.

2. Procedures for Determining Trading Terms and Conditions and Authorization Limit

(1) The trading terms and conditions and prices of acquisition or disposal of memberships shall be determined by the Company based on the market fair price, with the analysis report submitted to the President for approval. The amount of each transaction less than 1% of the Company's paid-in capital or NT\$300 million shall be reported to the Board of Directors for approval and the soonest board meeting for future reference; the amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.

(2) The trading terms and conditions and prices of acquisition or disposal of intangible assets shall be determined by the Company based on the appraisal report or market fair price, with the analysis report submitted to the President for approval. The amount of each transaction less than 10% of the Company's paid-in capital or NT\$300 million shall be reported to the Chairman of the Board for approval and the soonest board meeting for future reference; the amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.

3. Units Responsible for Implementation

After the acquisition or disposal of memberships or intangible assets is approved based on the authorization limit stipulated in the preceding paragraph, the department using such memberships or intangible assets and Finance Department or Administration Department are responsible for implementation.

4. Appraisal Report on Memberships or Intangible Assets

Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$30 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 11.1 : The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Paragraph 2 of Article 30, herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 12 : Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Section 3 Related Party Transactions

Article 13 : When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 11.1.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11.1 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 14 : When the Company intends to acquire or dispose of real property from or to a related party and when it intends to acquire or dispose of assets other than real property from or to a related party, regardless of the amount and except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion

obtained in compliance with the preceding article.

7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 27 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's Board of Directors may pursuant to Paragraph 2 of Article 9 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

When a matter is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Article 15 : The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. “Necessary interest on funding” is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real property from a related party and appraises the cost of the real property in accordance with Paragraph 1 and Paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14 and the preceding three paragraphs do not apply:

1. The related party acquired the real property through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

Article 16 : When the results of the Company's appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding article are uniformly lower than

the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

Article 17 : Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 15 and Article 16 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Supervisors shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Section IV Engaging in Derivatives Trading

Article 18 : The Company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:

1. Trading Principles and Policies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.
2. Risk management measures.
3. Internal audit system.
4. Regular evaluation methods and the handling of irregular circumstances.

Article 19 : The company engaging in derivatives trading shall adopt the following risk management measures:

1. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.
2. The personnel that deal with the transaction of derivatives, make confirmation of these transactions and make settlements of these transactions shall not be the same.
3. The evaluation, supervision and control of risk-related matters also shall be reported by persons from a different department to the Board of Directors or to the high-level managers who are not responsible for setting policies for transactions or position
4. The position held in the trading of derivatives shall be evaluated at least once a week, but the hedging transaction made for business purposes shall be evaluated at least twice a month, and the evaluation reports shall be given to high-level managers authorized by the Board of Directors.
5. Other important risk management measures.

Article 20 : Where the Company engaging in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures and the Procedures for Engaging in Derivatives Transactions formulated by the Company.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the company has

independent directors, an independent director shall be present at the meeting and express an opinion.

The Company shall report to the soonest board meeting after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Transactions.

Article 21 : The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 19 and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of Article 20 shall be recorded in detail in the log book.

A public company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.

Section V Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 22 : The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.

Article 23 : The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the first paragraph of the preceding article when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 24 : A company participating in a merger, demerger, or acquisition shall convene a board meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles,

names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

Article 25 : Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 26 : The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, which affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 27 : The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 28 : After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 29 : Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 24, Article 25, and Article 28.

Chapter III Public Disclosure of Information

Article 30 : Procedures for Public Disclosure of Information

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1) Trading of government bonds.
 - (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance

with relevant regulations.

- (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
- (4) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.

The amount of transactions above shall be calculated as follows and “Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

Article 31 : The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Article 32 : Subsidiaries of the Company shall comply with the following regulations:

1. A subsidiary of the Company shall acquire or dispose of assets in accordance with these Procedures.
2. Information required to be publicly announced and reported in accordance with the provisions of these Procedures on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company.
3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

Article 33 : These Procedures were established on May 3, 1997.
The 1st amendment was made on November 29, 1999.
The 2nd amendment was made on May 30, 2002.
The 3rd amendment was made on May 2, 2003.
The 4th amendment was made on May 27, 2004.
The 5th amendment was made on June 16, 2006.
The 6th amendment was made on June 15, 2007.
The 7th amendment was made on June 13, 2012.
The 8th amendment was made on June 18, 2014.

Advantech Co., Ltd.
Procedures for Lending Funds to Other Parties
(before Amendment)

- Article 1 :** Purpose
These Operational Procedures are established by the Company to regulate the lending of funds to others for the purpose of maintaining the Company's interests.
Matters not specified in these Procedures shall be handled in accordance with related laws and regulations.
- Article 2 :** Scope of Application
The lending activities of the Company shall be in accordance with these Operational Procedures.
The subsidiaries and parent company referred to in these Operational Procedures shall be recognized according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
The Company's financial statements are prepared based on International Financial Reporting Standards. The net value referred in these Operational Procedure shall refer to the owners' equity on the parent company's balance sheet of the Company's financial statements.
- Article 3 :** Lending Counterparts
Companies or firms in need of short-term financing.
Lending counterparts in need of short-term financing shall be limited to a subsidiary in which the Company holds 50% of the voting shares or companies with the de facto control having the need of short-term financing due to business needs.
The phrase "short-term" mentioned above shall mean within one year or a business cycle (whichever is longer).
Foreign companies, of which the Company directly or indirectly holds 100% of the voting shares, if engaged in the lending business, will be exempt from the restrictions referred to in the first paragraph of Article 4.
- Article 4 :** Lending Amount and Financing Limit
~~3.~~The total amount lent to others (loanable funds) shall not exceed 20% of the net value of the Company. The total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds.
~~4.~~ In the case of lending funds to companies or firms who have a business relationship with the Company, the total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds or the total amount of the business transactions between the Company and the borrower, whichever is lower, and the maximum amount stipulated in the preceding paragraph.
- Article 5 :** Unit in Charge
Unless otherwise specified, the finance unit shall be in charge of lending funds to others.
- Article 6 :** Term of Loan
The term of the loan shall be limited to one year; however, due to the actual needs, the term of the loan may be extended once prior to expiration with the approval of the Board of Directors.
Loans between the Company and its parent company shall be approved by the Board of Directors and authorization may also be given to the Chairman of the Board, within a certain capital limit for a specific borrowing counterparty and

within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

If the Company has established independent directors, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.

Article 7 : Methods of Interest Calculation

1. Daily accrual: The amount of interest is calculated by the sum of the daily loan balance (total cumulative amount) multiplied by the annual interest rate and divided by 365. The annual interest rate shall not be less than Bank of Taiwan's base rate on short-term loan +1% or the Company's cost of funds at that time.
2. Unless otherwise stipulated, the interest on loan shall be deducted from the appropriation of the loan.

Article 8 : Procedures for Fund Lending and Detailed Review

1. Application:

- A. When applying for a loan with the Company, a borrower shall submit the application form or an official letter specifying the amount, term and purpose of the loan to the Company's Finance Department.
- B. Where a loan is given due to needs arising from business dealings, the finance unit shall evaluate whether the amount of the loan is commensurate with the amount of transactions and in compliance with these Operational Procedures.
- C. Where a borrower in need of short-term financing applies for a loan, the Company shall evaluate the necessity of financing and investigate the borrower's credit status.
- D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval.

2. Credit Investigation and Risk Assessment

- A. For a first-time borrower, the borrower shall provide basic information and financial information to facilitate the credit investigation.
- B. For a subsequent borrower, the credit investigation shall be carried out when the borrower applies for the renewal. In case of a major or urgent event, the credit investigation shall be carried out at any time depending on the actual needs.
- C. If the borrower is in good financial condition and has had the annual financial statements audited by CPAs, the investigation report made for less than a year and the auditors' report may be adopted as the reference.
- D. When carrying out the credit investigation, the Company shall make a detailed assessment of the impact of the loan on the Company's business operations, financial conditions, and shareholders' equity.

3. Contract Signing and Identity Verification

- A. The person in charge of lending funds shall fill in the loan contract based on the approved conditions to proceed with the contract signing.
- B. After the borrower and the joint guarantor sign the loan contract, the person in charge shall perform the procedures for verifying their identities.

4. Appraisal of Collateral Value and Setting of Rights

When applying for a loan, a borrower, after being verified to provide collateral, shall provide a pledge on equivalent real property or securities or the promissory note, which matures on the expected date of repayment and is signed by the joint guarantor, for the Company as security. When the joint guarantor is a company or a firm, the Company shall examine whether its articles of incorporation and minutes of the board meeting permit the guarantee.

5. Insurance

Except for land and securities, fire insurance and related insurance shall be

purchased for other collaterals at the amount not less than the collateral in pledge. The Company shall be specified as the beneficiary in the insurance policy. The name, quantity, place of storage, and insurance conditions and endorsements of the subject specified in the insurance policy shall be consistent with the loan conditions approved by the Company.

The person in charge shall notify the borrower of a renewal before the term of the insurance expires.

6. Appropriation

The loan will be appropriated after a borrower sign the contract, submit the promissory note, set the mortgage, and purchase the insurance.

7. Account Keeping

When the Company completes the procedures for lending each fund, Finance Department shall make an entry for collateral or credit guarantee obtained.

8. The Company shall establish a log book for its loan activities and record in detail the following information for future reference: the entity to which the loan is given, the amount, the date of passage by the Board of Directors, the date the loan is appropriated, and matters to be evaluated in accordance with Article 7.

9. If, due to changes of circumstances, the party to whom the Company gives a loan no longer satisfies the criteria set forth herein, or the balance of a loan exceeds the limits, a corrective plan shall be provided to all supervisors and the proposed corrections shall be implemented within the period specified in the plan.

Article 9 : Control Actions upon the Loans

Upon the release of the funds, the Company shall pay attention to the borrower's and guarantor's financial, business and credit status, etc. In cases involving collateral, the Company shall pay attention to its guarantee value and any change thereto. In case of a major change, the Chairman of the Board shall be notified immediately and appropriate measures shall be taken based on the instructions.

Article 10 : Cancellation of Mortgage

When a borrower applies for the cancellation of mortgage, the Company shall ascertain whether the loan and interest have been paid back in full. The cancellation of mortgage may be handled after the borrower has paid back the loan and interest in full.

Article 11 : Procedures for Disposing of Overdue Debts

A borrower shall pay back the loan and interest within the time limit.

Unless the borrower has put forward a proposal to extend the term of the loan for less than a year with the approval of the Board of Directors, if the borrower fails to pay back the loan and interest within the time limit as scheduled, the Company may dispose of the collateral or lodge a claim with the guarantor in accordance with the law. The above proposal to extend the term of the loan can only be made once.

Article 12 : Procedures for Announcement and Report

1. The Company shall announce and report the balance of loaned funds by the Company and its subsidiaries in the preceding month in Market Observation Post System, before the 10th day of the month. If the loan meets any of the following circumstances stipulated in the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, it shall be reported in Market Observation Post System within two days upon occurrence of the fact, the date of occurrence to be counted as the first day:

- (1) The balance of the loaned funds by the Company and its subsidiaries exceeds 20% of the net value of the Company, as specified in its latest financial statement.
- (2) The balance of funds lent to any single entity by the Company and its

subsidiaries exceeds 10% of the net worth of the Company, as specified in its latest financial statement.

- (3) The increase of new loans by the Company or its subsidiaries reaches NTD10 million or more, or is more than 2% of the net worth of the Company, as specified in its latest financial statement.

“Date of occurrence” in these Operational Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

2. The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the 3rd subparagraph in the preceding paragraph.
3. The Company shall evaluate the status of loans of funds, and shall set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.

Article 12.1

Penalty for Violation of These Procedures by Managers and Persons-in-charge
In accordance with the Company’s personnel management regulations and employee handbook, managers and persons-in-charge who violate these Operational Procedures shall be punished based on the severity of violation.

Article 13

Implementation and Amendment

These Operational Procedures shall be approved by the Board of Directors and then sent to all supervisors and proposed at the shareholders’ meeting for approval. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the supervisors and the shareholders’ meeting for discussion any amendment hereto is subject to the same procedures.

If the Company has established independent directors, when submitting these Operational Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.

Article 14

Procedures for Managing Funds Lent to Subsidiaries:

1. For a subsidiary in which the Company directly or indirectly holds more than 50% of the voting shares and which is not a public company of the Republic of China, these Operational Procedures shall be followed. The net value shall be calculated based on the Company’s net value. The Company shall submit the previous month's balance of its loaned funds to Finance Department by the 5th day of each month.
2. Internal auditors of the Company shall perform the audit on the lending of funds of the subsidiaries based on the annual audit plan. In the case that a material violation is found, internal auditors shall continuously follow up the improvements and submit the follow-up report to the Board of Directors and all supervisors.

Article 15

These Procedures were established on May 3, 1997.

The 1st amendment was made on May 30, 2002.

The 2nd amendment was made on May 2, 2003.

The 3rd amendment was made on May 15, 2009.

The 4th amendment was made on May 18, 2010.

The 5th amendment was made on June 13, 2013.

Advantech Co., Ltd.
Procedures for Endorsement & Guarantee
(before Amendment)

- Article 1 :** Purpose
These Procedures are established to maintain the sound operation and interests of the Company and to reduce its operational risks.
- Article 2 :** The Company shall comply with these Procedures in addition to its Articles of Incorporation when engaging in endorsements and guarantees. Matters not specified in these Procedures shall be handled in accordance with related laws and regulations.
The subsidiaries and parent company referred in these Procedures shall be recognized according to the Statement of Financial Accounting Standards (SFAS) No. 5 and No. 7 published by Accounting Research and Development Foundation.
- Article 3 :** Object of the Endorsement and/or Guarantee
The parties to whom the Company may provide endorsement and/or guarantee include the following:
1. A company which has a business relationship with the Company.
2. A company in which the Company directly or indirectly holds more than 50% of the voting shares.
3. A company which directly or indirectly holds more than 50% of the Company's voting shares.
The Company may provide endorsement and/or guarantee to a company in which the Company directly or indirectly holds 100% of the voting shares.
The term "voting shares which are directly or indirectly held" mentioned in the subparagraph 2 and 3 of the preceding paragraph refers to the combination of a company's voting shares which are directly held by the Company's and those which are held by another company in which the Company holds more than 50% of the voting shares. The term "another company" mentioned above includes the company itself and another company in which the company directly or indirectly holds more than 50% of the voting shares, and so on.
- Article 4 :** The words "endorsements" and/or "guarantees" used herein are defined as:
1. Financing endorsement and/or guarantee
A. Endorsement and/or guarantee of customers' notes for cash financing with a discount.
B. Endorsement and/or guarantee of the notes issued by the Company to nonfinancial institutions and entities for the Company's own financing needs.
C. Endorsement and/or guarantee of another company for its financing needs.
2. Endorsement and/or guarantee of customs duties due for the Company or other companies.
3. Other endorsements/guarantees which are not included under the subparagraphs 1 and 2 of this article.
Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.
- Article 5 :** Limits on Endorsements and Guarantees
1. The total amount of the endorsements/guarantees provided by the Company to others shall not exceed 30% of the Company's net value, but the amount of endorsement/guarantee provided by the Company to any single entity shall not exceed 10% of the Company's net value.
The total amount of the endorsement/guarantee provided by the Company and

its subsidiaries shall not exceed 30% of the Company's net value, and the amount of endorsement/guarantee provided by the Company to any single entity shall not exceed 10% of the Company's net value.

2. The total amount of the endorsement/guarantee made due to needs arising from business dealings shall not exceed the total amount of transactions (purchase or sales, whichever is higher) with the Company in the last year and the maximum amount stipulated in the preceding paragraph.

3. The Company may, based on its actual needs, request the guaranteed company to create a pledge on its chattel or real property as security.

Article 5.1 : Level of Authorization

Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference.

In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan containing a timetable to withdraw the excess portion.

If, due to changes of circumstances, the party to whom the Company provides an endorsement and/or guarantee no longer satisfies the criteria set forth herein, or the amount of endorsement and/or guarantee exceeds the limits, a corrective plan shall be provided to all supervisors and the proposed corrections shall be implemented within the period specified in the plan.

Article 6 : Operating Procedures for Endorsements and Guarantees Detailed Review Procedures:

1. When the guaranteed company requests endorsement, the application unit of the Company shall fill in the Guarantee (Cancellation) Application Form specifying the reason and purpose of endorsement and attach notes and the guaranteed company's financial information for approval.

2. The finance unit shall examine:

A. Whether the reason for endorsement is reasonable enough.

B. Whether it is necessary to measure the amount of endorsement based on the financial status of the guaranteed company.

C. Whether the accumulated amount is within the limit.

D. The status of credit and the impact on the Company's business operations, financial conditions, and shareholders' equity.

E. Whether the amount of endorsement and/or guarantee made due to needs arising from business relationship is commensurate with the amount of transactions in an analysis report.

F. Whether collateral must be obtained and appraisal of the value thereof.

3. The Company shall assess and recognize contingent losses brought about by endorsements and/or guarantees, and shall adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures and reporting.

4. If the party to whom the Company provides an endorsement and/or guarantee is a subsidiary whose net value is below 50% of its paid-up capital, follow-up management shall be continuously implemented by the Company.

Article 7 : Approval and Cancellation of Endorsed Notes:

1. Endorsed notes may be returned to the guaranteed company after the following procedures are complete:

- A. Stamp the official seal.
- B. Copy the both sides of the endorsed notes and retain it for future reference.
- C. Record the endorsed notes in the Endorsement and Cancellation Registry to manage the amount of endorsement.

2. If the endorsed notes are required to be cancelled due to debts or renewal, the application unit shall fill in the Guarantee (Cancellation) Application Form and submit the form and the original endorsed notes to the finance unit for cancellation.

3. The finance unit shall record the cancelled endorsed notes in the Endorsement and Cancellation Registry to reduce the accumulated amount of endorsement.

Article 8 : Use of Official Seal and Security Procedures:

The Company shall apply for registration with the Ministry of Economic Affairs for its official seal and for a special-purpose seal for endorsements and/or guarantees. The official seal shall be kept by the Company's designated personnel. These Procedures and the Regulations Governing Seals must be followed for sealing and note issuance purposes.

The Company's designated personnel in charge of keeping the official seal shall be approved by the Board of Directors. The same procedure shall apply with any change.

When providing an endorsement/guarantee to a foreign company, the endorsement/guarantee letter shall be executed and signed by the person designated by the Board of Directors.

Article 8.1 : Procedures for Managing Endorsements/Guarantees Provided for Subsidiaries:

1. For a subsidiary in which the Company directly or indirectly holds more than 50% of the voting shares and which is not a public company of the Republic of China, these Procedures shall be followed. The net value shall be calculated based on the Company's net value. The Company shall submit the previous month's balance of endorsements/guarantees of itself and its subsidiaries to Finance Department by the 5th day of each month.

2. Internal auditors of the Company shall perform the audit on endorsement and/or guarantee profile of the subsidiaries based on the annual audit plan. In the case that a material violation is found, internal auditors shall continuously follow up the improvements and submit the follow-up report to the Chairman of the Board.

Article 9 : The finance unit shall establish a log book for its endorsement/guarantee activities and record in detail the following information for future reference: the entity for which the endorsement/guarantee is made, the amount, the content of the endorsement/guarantee, the date of passage by the Board of Directors or of authorization by the Chairman of the Board, the date the endorsement/guarantee is made, the content of the collateral and the appraisal of the value, and conditions and the date of cancellation of the endorsement/guarantee.

Article 9.1 : Deadline and Standards for Announcement and Report:

The Company shall announce and report the balance of endorsements and/or guarantees made by itself and its subsidiaries for the previous month in Market Observation Post System by the 10th day of each month. If the balance of endorsements and/or guarantees meets one of the following levels, the Company shall announce and report such event in Market Observation Post System within two days of the occurrence, the date of occurrence to be counted as the first day:

1. The aggregate balance of endorsements and/or guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net value as

stated in the latest financial statement.

2. The balance of endorsements and/or guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net value as stated in the latest financial statement.

3. The balance of endorsements and/or guarantees by the Company and its subsidiaries for an individual enterprise is more than NT\$10 million or the aggregate amount of all endorsements and/or guarantees for long-term nature of 5 investments in, and balance of loans to, such enterprise reaches 30% of the Company's net value as stated in its latest financial statement.

4. The amount of new endorsements and/or guarantees made by the Company or its subsidiaries is more than NT\$30 million or more than 5% of the Company's net value as stated in its latest financial statement.

The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report in Market Observation Post System pursuant to the subparagraph 4 of the preceding paragraph.

Article 10 : The Company shall assess and recognize contingent losses brought about by endorsements and/or guarantees, and shall adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures and reporting.

Article 11 : Internal auditors of the Company shall perform the audit on the Company's endorsement and/or guarantee profile at least once per quarter and produce written auditing reports. In the case that a material violation is found, internal audit shall immediately notify the supervisors in writing.

Article 11.1 : Penalty for Violation of These Procedures by Managers and persons-in-charge: In accordance with the Company's personnel management regulations and employee handbook, managers and persons-in-charge who violate these Procedures shall be punished based on the severity of violation.

Article 12 : These Procedures shall be implemented upon approval of the Board of Directors, all supervisors and the shareholders' meeting. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the supervisors and the shareholders' meeting for discussion. Any amendment hereto is subject to the same procedures.

If the Company has established independent directors, when submitting these Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.

Article 13 : These Procedures were established on May 3, 1997.
The 1st amendment was made on May 2, 2003.
The 2nd amendment was made on June 16, 2006.
The 3rd amendment was made on May 15, 2009.
The 4th amendment was made on May 18, 2010.

Advantech Co., Ltd.
Procedures for Financial Derivatives Transactions
(before Amendment)

Article 1 : Purpose

1. These Procedures are enacted to establish the risk management system of derivatives transactions for the purpose of fulfilling information disclosure and protecting investors.
2. These Procedures are enacted in accordance with Article 36.1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies. Matters not specified in these Procedures shall be handled in accordance with related laws and regulations.

Article 2 : Trading Principles and Policies

1. Type of transactions: The type of derivatives transactions which the Company engages in is limited to forward contracts and options. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Operational or hedging and strategies: The Company shall engage in derivatives transactions for the purpose of avoiding exchange risks arising from the operations, foreign currency assets and liabilities, and derivative financial transactions.
3. Division of responsibilities:

A. Finance Department: Finance Department is responsible to manage foreign exchange operations, collect market information, determine the market trend and risks, and get familiar with financial products and operational skills. In addition, Finance Department shall manage the position in foreign exchange and avoid foreign exchange risks based on the Company’s policies and authorization.

B. Accounting Department: Accounting Department is responsible to control the Company’s overall position in foreign exchange and settle realized and unrealized exchange gains and losses on a regular basis in order to facilitate the hedging operations engaged by Finance Department. In addition, Accounting Department shall keep account based on settlement vouchers and transaction-related documents.

C. Audit Department: Audit Department is responsible to make a determination of the suitability of internal controls on derivatives, conduct the audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, analyze the trading cycle, and prepare an audit report. If any material violation is discovered, the Board of Directors shall be notified.

4. Performance Evaluation: The Company shall record the detail of derivatives operations (including amount, exchange rate, bank, and due date) in the transaction list on a daily basis to control the profit and loss; in addition, the Company shall settle the exchange gains and losses on a monthly, quarterly, semi-yearly, and yearly basis.
5. Total amount of contracts and the upper limit of loss for all and individual contracts:

Hedging Operation

The total amount of contracts which the Company may engage in is limited to 75% of the balance of cash, accounts receivable and accounts payable in foreign currency plus the net position in foreign currency for the next six months. The upper limit of loss for all and individual contracts is 50% of the amount of contracts.

Transactional Operation

The Company does not engage in transactional operations.

Article 3 : Operational Procedures

1. Level of authorized amount: The level of the authorized amount is set up based on changes in the Company's revenue and accumulated net position:

Level Daily Amount of Transaction Authorized Amount of Internal Approval

1. Chairman	US\$20 million or more
2. President and CFO	US\$10 million or more
3. Financial Officer	US\$10 million(inclusive)
4. Financial Manager	US\$ 5 million (inclusive)

2. Implemented by: The designated person of Finance Department.

3. Operating procedures are described below:

- A. A trader of Finance Department shall place an order with a bank within the authorized amount. If the value of a transaction exceeds the authorized amount stipulated in Article 3 of these Procedures, the trader shall obtain the prior written approval of decision-making supervisors.
- B. After the transaction is confirmed, the trader shall fill in the Transaction Form based on the deal closed with the bank to ensure the validity of the transaction.
- C. When the confirmation documents regarding foreign exchange transactions are to be sealed, the approved Instruction on Foreign Exchange Transactions shall be attached as well.
- D. When an exchange gain or loss occurs in the settlement of the foreign exchange transaction, the person in charge of the settlement shall collect the payment based on the approved Instruction on Foreign Exchange Transactions, Foreign Exchange Transaction Form and Forward Foreign Exchange Settlement Form, which are used as the basis of account keeping.
- E. Finance Department shall compile the Monthly Report on Foreign Exchange Transactions and submit it to Accounting Department to be used as the basis of accounting evaluation.

Article 4 : Risk Management Measures

- 1. Credit risk management: Trading partners shall be limited to banks having business dealings with the Company.
- 2. Market risk management: Markets shall be limited to publicly traded foreign exchange markets and exclude futures markets.
- 3. Liquidity risk management: Products with high liquidity (that can square the position in the market at any time) shall be selected to ensure the trading liquidity. Trading financial institutions must have the sufficient information to trade in any market at any time.
- 4. Cash flow risk management: The source of funds used in derivatives transactions shall be limited to the Company's own funds to ensure the stability of working capital.
- 5. Operational risk management:
 - A. The Company shall comply with its authorized amount and operating procedures, and have them reviewed in the internal audit to avoid operational risks.
 - B. The personnel that deal with the transaction of derivatives, make confirmation of these transactions and make settlements of these transactions shall not be the same.
 - C. The evaluation, supervision and control of risk-related matters also shall be reported by persons from a different department to the Board of Directors or to the high-level managers who are not responsible for setting policies for transactions or position.
 - D. The position held in the trading of derivatives shall be evaluated at least once a week, but the hedging transaction made for business purposes shall be

evaluated at least twice a month, and the evaluation reports shall be given to high-level managers authorized by the Board of Directors.

6. Legal risk management: The Company shall have the documents to be signed with financial institutions reviewed by the dedicated person in charge of foreign exchange and legal affairs or legal consultation prior to the official signing in order to avoid legal risks.

Article 5 : Procedures for Handling Accounting

The Company shall handle accounting in accordance with the financial and accounting reporting standards and related regulations stipulated by competent authorities.

Article 6 : Method of Periodic Evaluation and Abnormality Handling

1. The position held in the trading of derivatives shall be evaluated at least twice a month, and the evaluation reports shall be given to high-level managers authorized by the Board of Directors.

2. The Board of Directors shall designate senior management personnel to periodically supervise and evaluate whether the trading performance is consistent with established trading procedures and whether the risk undertaken is within the Company's permitted scope of tolerance. When irregular circumstances are found in the course of supervision and evaluation, appropriate measures shall be taken immediately and a report shall be made to the Board of Directors.

Article 7 : Internal Audit System

Internal auditors shall check the suitability of internal control of derivatives transactions periodically and inspect monthly the compliance of the trading departments with these Procedures and analyze the trading cycle in order to make the auditing report. The Company shall file the auditing report and the implementing status of annual auditing plans of internal audits to the Exchange Commission of the Ministry of Finance (SEC) before the end of February of next year and also shall report the improvement situation for any abnormal affairs to the SEC before the end of May of next year.

Article 7.1 : Information Disclosure:

The Company shall report the information on Market Observation Post System in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

If a subsidiary of the Company, which is not itself a public company in Taiwan, has information required to be reported on Market Observation Post System in accordance with the regulations of the preceding paragraphs, such information shall be reported by the Company.

Article 7.2 : Deleted.

Article 8 : Implementation and Amendment

These Procedure shall be submitted to each supervisor and the shareholders' meeting for approval after the resolution of the Board of Directors; the same procedure shall apply with any amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor. Where the position of independent director has been created by the Company, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.

Article 9 : These Procedures were established on May 3, 1997.

The 1st amendment was made on April 18, 1998.

The 2nd amendment was made on May 2, 2003.

The 3rd amendment was made on May 24, 2005.

The 4th amendment was made on May 18, 2010

The 5th amendment was made on June 18, 2014.

Advantech Co., Ltd.
Rules and Procedure for Shareholders' Meetings
(before Amendment)

- Article 1 : The process of the Company shareholders' meeting is subject to the "Rules of Procedure for Shareholders' Meetings."
- Article 2 : The Company shall include the information of shareholders reporting time, reporting place, and others on the written notice.
The shareholder's reporting to meeting referred to above should be processed at least thirty minutes before the meeting in session; there should be clearly marked signs at the reporting place with sufficient and competent staff at the place to assist. The shareholders or the shareholders' commissioned representatives (hereinafter referred to as "the Shareholders") shall attend the meeting with the attendance certificate, attendance cards, or other identification documents presented; the proxies shall attend the meeting with the identity documents presented for verification.
The shareholders or the shareholders' commissioned representatives while attending the meeting should sign on the attendance registry or submit the attendance card instead; also, the number of attending shares is calculated in accordance with the number of shares documented on the attendance card.
- Article 2.1 : The attendance and resolution in the shareholders' meeting shall be based on the shares.
- Article 2.2 : The Company may assign the commissioned lawyer, accountant, or the relevant personnel to attend the shareholders' meeting.
- Article 2.3 : Shareholders' meeting will be held at the Company's premise or a suitable location for the convenience of the shareholders. The starting time of the shareholders' meeting should not be before 9:00am or after 3:00pm.
- Article 2.4 : The Company should have the proceeding of the shareholders' meeting from the shareholder's reporting to meeting, meeting in session, to votes counting recorded in audio or video uninterruptedly.
The audio-visual materials referred to above shall be kept for at least one year; however, they should be reserved until the end of the legal proceeding that is filed by the shareholders in accordance with Article 189 of the Company Law.
- Article 3 : The Chairman is to announce the meeting in session when the attending shareholders are with a majority shareholding. If the attending shareholders are without the statutory shareholding at the meeting time, the Chairman may announce to have the meeting postponed. If the attending shareholders are without the statutory shareholding but with one thirds of the total number of shares issued after two postpones (30 minutes per postpone), it can be processed in accordance with Article 175 of the Company Law and a pseudo resolution can be reached with the consent of a majority votes. For the proceeding referred to above, if the attending shareholders qualify the statutory shareholding, the Chairman may announce the meeting in session at any time and has the pseudo resolution submitted in the shareholders' meeting for ratification.
- Article 4 : The shareholders' meeting should be conducted in accordance with the procedures prescribed in the agenda and no change can be made without a resolution reached in the shareholders' meeting. The agenda is drafted up in accordance with the following provisions:
1. General shareholders' meeting: The agenda is to be drafted up by the Board of

Directors.

2. Extraordinary shareholders' meeting: The agenda is to be drafted up by the authorized convening department.

The Chairman may not announce to have the meeting adjourned before the proposals (including motions) in the two agenda referred to above resolved.

Once the meeting is adjourned, shareholders may not elect another Chairman to continue the meeting at the current meeting place or another location.

Article 5 : The Chairman may announce to have a recess during the meeting in session.

Article 6 : The attending shareholders who wish to speak at the meeting must first fill out the speech note with the gist, shareholders account number, and name detailed to the Chairman in advance and the Chairman shall prioritize the speaking order.

Attending shareholders who have submitted a speech note but failed to give a speech at the meeting is deemed as a non-speaker. If the speech made by the shareholder differs from the contents of the speech note submitted, the speech shall prevail.

The attending shareholders may not interrupt the speaking shareholder without the consent of the Chairman and the speaking shareholder. The Chairman must have the interfering shareholder restrained from interrupting the speaking shareholder's speech.

Article 7 : The motions should be discussed in accordance with the prioritized agenda. For any violation against the planned procedures or agenda, the Chairman may immediately stop the speaking shareholder and announce ending the discussion in due course or ceasing the discussion when it is necessary.

Article 8 : The shareholder is to have the proposal explained in five minutes and the Chairman or the personnel designated by the Chairman are to answer the questions of the shareholders. The inquiry or reply of the shareholder is limited to three minutes unless it is otherwise permitted by the Chairman.

Article 9 : Deleted

Article 10 : Each shareholder may not speak more than twice on the same proposal and five minutes each time. For any violation against the planned procedures or agenda referred to above, the Chairman may immediately stop the speaking shareholder.

Article 10.1 : The legal person attending the shareholders' meeting by proxy may have only one representative designated to attend the meeting.

For the two or more representatives designated by the legal person shareholder to attend the meeting, only one of them may speak on the same proposal.

Article 11 : The proposal that is announced by the Chairman ceased for discussion should be put to vote for a resolution. The voting right of each shareholder is calculated in accordance with the Corporate Charter.

Article 12 : The vote on the motion, unless otherwise provided by the Company Law, is approved by the attending shareholders with a majority shareholding. If there is no objection raised when the Chairman consulted the attending shareholders, it is deemed as approved and the effect is same as voting.

Article 12.1 : The Chairman is to have the amendment or substitute of a motion consolidated and prioritized its voting order. When one of the motions is passed, the other motions shall be deemed as vetoed without the need of further voting.

Article 12.2 : The Chairman is to have ballot inspectors and tellers designated for the vote on motions. Ballot inspectors must be a shareholder of the Company. The results of the vote should be announced in the meeting and recorded.

Article 13 : For the shareholders attending the shareholders' meeting by proxy, except for the agencies for trust businesses or stock services approved by the securities authorities, when one person delegated by more than two shareholders at the same time, the voting rights by proxy shall not exceed 3% of the total number of voting rights issued; also, the number of voting right exceeding the threshold will not be accounted for.

- Article 14 : The shareholders who may have a conflict of interest regarding a motion to be resolved in the shareholders' meeting may not vote on the said motion and may not exercise voting right on behalf of other shareholders by proxy.
- Article 14.1 : The election of directors and supervisors, if any, in the shareholders' meeting should be handled in accordance with the relevant norms of the Company and the election result should be announced immediately in the meeting, including the name of the elected directors and supervisors and the respective number of voting rights.
The ballots casted in the election referred to above shall be sealed and signed by the ballot inspectors for safekeeping for at least one year; however, they should be reserved until the end of the legal proceeding that is filed by the shareholders in accordance with Article 189 of the Company Law.
- Article 15 : The meeting in session should be suspended in case of air raid drill and the meeting should be resumed in one hour after the evacuation alert is lifted.
- Article 15.1 : The Chairman may direct pickets (or security guards) to assist maintaining the order at the meeting place. The pickets (or security guards) who are at the meeting place to assist maintaining order should wear the "picket" armband.
- Article 16 : The resolutions reached in the shareholders' meeting should be documented in the minutes of meeting for the signature or seal of the Chairman; also the minutes of meeting should be distributed to all shareholders within twenty days after the meeting. The Company's minutes of meeting can be distributed to shareholders by an announcement after the public offering of the Company's shares.
The preparation and distribution of the minutes of meeting referred to above can be completed in an electronic form.
- Article 17 : The matters that are not addressed in the "Rules of Procedure for Shareholders' Meetings" should be processed in accordance with the Company Law and the related regulations.
- Article 18 : The "Rules of Procedure for Shareholders' Meetings" is in effect after it is passed in the shareholders' meeting, same for the amendments made.
- Article 19 : The "Rules of Procedure for Shareholders' Meetings" was established on May 3, 1997.
The 1st amendment of the "Rules of Procedure for Shareholders' Meetings" was made on April 24, 1999.
The 2nd amendment of the "Rules of Procedure for Shareholders' Meetings" was made on May 30, 2002.
The 3rd amendment of the "Rules of Procedure for Shareholders' Meetings" was made on June 16, 2006.
The 4th amendment of the "Rules of Procedure for Shareholders' Meetings" was made on May 18, 2010.
The 5th amendment of the "Rules of Procedure for Shareholders' Meetings" was made on June 13, 2012.
The 6th amendment of the "Rules of Procedure for Shareholders' Meetings" was made on June 13, 2013.

Advantech Co., Ltd.

Rules for the Election of Directors

- Article 1** : The Company's directors are elected in accordance with the "Rules for the Election of Directors."
- 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 contains the suffrage equivalent to the number of directors to be elected, which can be casted to one or more than one candidate.
- Article 3** : 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. 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.
- Article 4** : Ballots are printed by the board of directors. The ballots in addition with the corporate seal affixed should be prepared with the voter's ID number and the votes of suffrage noted on the ballots.
- Article 5** : The Chairman is to have several ballot inspectors and tellers designated at the beginning of the election to perform the relevant job duties. Ballot inspectors must be a shareholder of the Company.
- Article 6** : Ballot boxes should be prepared for the election of directors; also, the ballot boxes are to be opened by the ballot inspectors after voting.
Votes casted for the election of independent directors and non-independent directors are counted and elected separately.
- Article 7** : The missions of the ballot inspectors are as followings:
1. Inspect the ballot boxes openly before the voting process started.
2. Maintain order and observe whether there is any negligence or violation committed.
3. Examine the votes of suffrage at the end of the voting.
4. Check whether there is any invalid ballot.
5. Ballot inspectors are to record the votes received by each candidate.
- Article 8** : Voters include natural persons, legal persons, and their representatives. The account number and name of the candidate must be noted in each ballot. If the candidate is a government agency or legal person, the candidate column on the ballot must be detailed with the name of the government agency or legal person. If there is more than one representative appointed, the name of all the representatives must be listed separately. Please state the ID Card number and name of the candidate who is not a shareholder on the ballot before casting it in the ballot box.
- Article 9** : Ballots are invalid in any of the following circumstances:
1. Votes that are not in compliance with the "Rules for the Election of Directors and Supervisors."
2. The number of elected candidates exceeds the number of chairs designated.
3. The total votes casted by the voters exceed the valid votes held.
4. The shareholder's account number and name of the candidate who is a shareholder differs from the Shareholder Registry, or, the name and ID Card number of the candidate who is not a shareholder is found with nonconformity.

- 5. Unidentifiable ballot due to illegible or incomplete corrections
- 6. The name of the candidate is same as other shareholder but failed to state the candidate's shareholder account number or ID Card number for identification.
- 7. Ballot contains not only the candidate's name, shareholder account number or ID Card number and the votes of suffrage, but also other unauthorized information.
- 8. Blank ballots that are casted in the ballot box
- 9. Ballots that are not casted in the designated voting zone

- Article 10 : Ballot inspectors are to verify the validity of any ballot in question. Invalid ballots should be affixed with a "void" mark and a signature or seal at the end of counting votes. Ballot inspectors are to check the sum of the valid and invalid ballots upon the completion of voting and then document the valid votes and suffrage in the form and then the Chairman is to announce the name of the elected candidates publicly.
- Article 11 : The Company is to issue a certificate of election to each elected director .
- Article 12 : The matters that are not addressed in the "Rules for the Election of Directors and Supervisors" should be processed in accordance with the Company Law, Corporate Charter, and the related regulations.
- Article 13 : The "Rules for the Election of Directors and Supervisors" is in effect after it is passed in the shareholders' meeting, same for the amendments made.
- Article 14 : The "Rules for the Election of Directors and Supervisors" was established on May 3, 1997 with the 1st amendment made on April 24, 1999, the 2nd amendment made on May 30, 2002, and the 3rd amendment made on June 15, 2007. The 4th amendment of the Rules for the Election of Directors and Supervisors was made on May 28, 2015.

Current Shareholding of Directors and Supervisors

1. The total shares of the Company held by all directors and supervisors are to be processed in accordance with the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies:”
 - (1) As of March 28, 2017 (final day for stock transfer), the Company had issued 633,254,100 shares of stock. The board of directors should hold 4% of the stock shares issued by law, that was, 25,330,164 shares. All supervisors should hold 0.4% of the stock shares issued by law, that was, 2,533,016 shares.
 - (2) The Company has two independent directors elected. The board of directors other than independent directors and supervisors should hold 80% of the stock shares calculated in the preceding paragraph; therefore, the Company’s board of directors should hold 20,264,131 shares and supervisors should hold 2,026,413 shares.
2. As of March 28, 2017 (final day for stock transfer), the shareholding of the Company’s directors and supervisors on the shareholders’ registry was as follows:

Title	Name	Representative	Shareholding on the shareholder’s registry	
			Shares	% Ratio (%)
Chairman	K.C. Liu		23,292,484	3.68%
Director	Advantech Foundation.	Donald Chang	18,244,889	2.88%
Director	Ted Hsu		0	0
Independent Director	Jeff Chen		0	0
Independent Director	Joseph Yu		249	0
Total			41,537,622	6.56%
Supervisor	AIDC Investment Corp.	Gary Tseng	74,636,266	11.79%
Supervisor	Thomas Chen		543,963	0.09%
Supervisor	James Wu		0	0
Total			75,180,229	11.88%

Impact of Stock Dividend Issuance on the Company's Business Performance and Earnings per Share

Item	Year	2016	
Beginning paid-in Capital (NT\$)		6,330,741	
Dividend Distribution	Cash dividend per share (NT\$)	6.30	
	Stock dividend per share for capital increase from retained earnings (Share)	0.1	
	Stock dividend per share for capital increase from capital reserve (Share)	-	
Business Performance Variation	Operating Profit	N/A	
	Year-on-year increase / decrease (%) of operating profit		
	Net profit after		
	Year-on-year increase / decrease (%) of net profit after tax		
	Earnings per share		
	Year-on-year increase / decrease (%) of earnings per share		
	Average return over investment (annualized)		
Pro forma earnings per share and its P/E ratio	If cash dividend is distributed instead of capital increase	Pro forma earnings per share (NTD)	N/A
		Pro forma average return over investment (annualized)	
	If no capital increase from capital reserve	Pro forma earnings per share (NTD)	
		Pro forma average return over investment (annualized)	
	If no capital reserve and cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share (NTD)	N/A
		Pro forma average return over investment (annualized)	