

Advantech Co.,Ltd.
2019 Annual Shareholders' Meeting
Meeting Minutes
(Translation)

Time : 09:00 AM,May 28,2019

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

Total outstanding ACL shares : 699,075,510 shares

Total shares represented by shareholders present in person or by proxy : 648,914,798 shares

Percentage of outstanding share held by shareholders present in person or by proxy : 92.82%

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

Attendees: Benson Liu(Independent Director), Joseph Yu (Independent Director), Jeff Chen (Independent Director) ,Donald Chang (Director),Chaney Ho (Director), Eric Chen (President), Miller Chang (President), Linda Tsai (President), Meng Chieh Chiu, CPA, Deloitte, Villis Yang (Director)

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

Chairman's Address (omitted)

I. Management Presentations

- 1.The 2018 Business Report (see appendix I)
2. The Audit Committee's Review Report on the 2018 Financial Statements (see appendix II)
3. Report of Employees' compensation and Directors' compensation of 2018.
4. The Status of Endorsement and Guarantee in 2018 (see meeting agenda)

II. Proposals

1. Adoption of the 2018 Business Report and Financial Statements
(Proposed by the board of directors)

Explanation:

- (1) The 2018 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 Jr-Shian Ke , of Deloitte & Touche and were reviewed by the supervisor along with the business report with a written audit report issued.
- (2) The Business Report, independent auditor's report, and Financial Statements are enclosed as Attachment I and Attachment III.
- (3)Please acknowledge.

Voting Results:

648,914,798 shares were represented at the time of voting; 607,939,922 votes were in favor of the proposal (including votes casted electronically: 356,705,450); 8,029 votes were cast against the proposal (including votes casted electronically: 8,029); 0 votes were invalid; 40,966,847 votes were either invalidly cast or abstained (including votes casted electronically: 40,942,467).

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

2. Adoption of the Proposal for Distribution of 2018 Earnings.

(Proposed by the board of directors)

Explanation:

- (1) Please refer to the 2018 prorofit distribution table in Attachment IV.
- (2) The net income of the company amounted to NT\$6,294,657,374 for 2018. Added the beginning unappropriated earnings of NT\$3,797,379,616 and deducted effect of retrospective application and retrospective restatement NT\$34,001,578, adjustment of retained earnings due to investments accounted for using the equity method NT\$14,715,950, remeasurements of the defined benefit recognized in retained earnings NT\$15,687,150, cumulative profit or loss of disposals of investments in equity instruments designated as at fair value through other comprehensive income directly transferred to retained earnings NT\$11,736,286, the legal reserve of NT\$629,465,737 and special reserve of NT\$429,108,736, the distributable earnings for 2018 amounted to NT\$8,957,321,553 resulted to be distributed as follows:
 - (3) The amounts of NT\$4,751,129,468 out of the 2018 earnings are appropriated for distribution as cash dividends, respectively.

There were 698,695,510 shares of common stock outstanding on December 31, 2018 that are entitled to the distribution of shareholder's dividend at NT\$6.6 per share.
 - (4) The distribution of cash dividend is calculated to the dollar (round up to the dollar). The total amount of the odd shares with a distribution of less than NT\$1 will be booked as the other income or other expense of the company.
 - (5) The current distribution of earnings is scheduled before the dividend benchmark date. If there is any change in the yield rate as a result of any change in the Company's outstanding shares, a request is to be made in the shareholders' meeting having the Chairman authorized to handle matters related to the changes.
 - (6) 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.

Voting Results:

648,914,798 shares were represented at the time of voting; 607,939,922 votes were in favor of the proposal (including votes casted electronically: 356,705,450);

8,029 votes were cast against the proposal (including votes cast electronically: 8,029); 0 votes were invalid; 40,966,847 votes were either invalidly cast or abstained (including votes cast electronically: 40,942,467).

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

III. Discussion

1. Amendment to the “ Articles of Incorporation ”

(Proposed by the board of directors)

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 .

Voting Results:

648,914,798 shares were represented at the time of voting; 601,055,420 votes were in favor of the proposal (including votes casted electronically: 349,820,948); 1,655,053 votes were cast against the proposal (including votes casted electronically: 1,655,053); 0 votes were invalid; 46,204,325 votes were either invalidly cast or abstained (including votes casted electronically: 46,179,945).

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

2. Amendment to the “Procedures for Lending Funds to Other Parties”.

(Proposed by the board of directors)

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 VI.
- (2) Please proceed to discuss.

Voting Results:

648,914,798 shares were represented at the time of voting; 602,611,201 votes were in favor of the proposal (including votes casted electronically: 351,376,729); 99,272 votes were cast against the proposal (including votes casted electronically: 99,272); 0 votes were invalid; 46,204,325 votes were either invalidly cast or abstained (including votes casted electronically: 46,179,945).

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

3. Amendment to the “Procedures For Acquisition or Disposal of Assets”.

(Proposed by the board of directors)

Explanation:

(1) The proposal is handled according to Financial Supervisory Commission Order Gin-Guan-Zheng-Fa-Zi No. 1070338553 dated November 26, 2018.

(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 VII.

Voting Results:

648,914,798 shares were represented at the time of voting; 602,701,201 votes were in favor of the proposal (including votes casted electronically: 351,466,729); 9,272 votes were cast against the proposal (including votes castedelectronically: 9,272); 0 votes wereinvalid; 46,204,325 votes were either invalidly cast or abstained(including votes casted electronically: 46,179,945).

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

4. Amendment to the “ Procedures for Financial Derivatives Transactions”.

(Proposed by the board of directors)

(1) The proposal is handled according to Financial Supervisory Commission Order Gin-Guan-Zheng-Fa-Zi No. 1070338553 dated November 26, 2018.

(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 Derivatives Transactions. Please refer to Attachment VIII.

Voting Results:

648,914,798 shares were represented at the time of voting; 602,611,156 votes were in favor of the proposal (including votes casted electronically: 351,376,684); 99,317 votes were cast against the proposal (including votes castedelectronically: 99,317); 0 votes wereinvalid; 46,204,325 votes were either invalidly cast or abstained(including votes casted electronically: 46,179,945).

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

V. Extemporary Motion: None.

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

Business Report

Dear shareholders:

2018 Summary of Results

In 2018, Advantech reported consolidated revenues of NT\$ 48.8 billion, an increase of ten percent over the NT\$44.4 billion of 2017. Net income was NT\$6.31 billion and diluted earnings per share were NT\$9.02. Gross profit margin was 38.2 percent, compared with 39.2 percent in 2017, and operating profit margin was 15.3 percent at the same level as a year earlier. Net profit margin was 12.9 percent, from the previous year's 13.9 percent.

By segment, the three major business groups- Embedded IoT, Industrial IoT and Service IoT- all delivered double digit revenue growth in 2018. In US dollar term, Advantech achieved US\$1.6 billion revenues in 2018, up 11.2% from US\$1.45 billion in 2017. The decrease of gross margin was mainly due to component price increase. Thanks to operating efficiency improvement, Advantech sustained operating margin at 15.3% in 2018.

We maintain our positive view for the future of industrial IoT. After several years' development, the overall industrial IoT benefit has become meaningful to customers, especially for manufacturers. In fiscal 2019, we will continue to build our strengths in industrial IoT computing platforms to achieve our target in both revenues and profit growth.

Our Development for IoT

Looking forward, we believe the overall industrial IoT growth pattern will enter into a new era and the hardware and software integration service providers will benefit the most. The WISE-PaaS software platform is designed for industrial IoT users. Our mission is to collaborate with third party partners to introduce SRPs (Solution Ready Package), the software and hardware combination solutions, to facilitate our platform customers in different vertical markets. When the overall industrial IoT application is getting mature, the final winners will be cloud service providers. Advantech intends to support and enable our partners in this area. Also Advantech might participate in the growth through investments.

Given this belief, Advantech host our first IoT Co-Creation Summit in Suzhou in November 2018. Totally we had over 5000 guests together with Advantech to explore the future outlook of the wave

II and wave III growth profile of Industrial IoT application. At same time, Advantech also introduced the latest embedded computing platforms and 34 SRPs at the summit. During 2019 and 2020, Advantech will expand WISE-PaaS global footprints and expect to achieve the target of 1,000 WISE-PaaS VIP memberships by 2021.

Strengthening Corporate Governance and Business Leadership

Advantech markets “Advantech” as an industrial brand since the firm start-up and now Advantech has operations in 23 countries around the world. In 2018, Advantech was awarded as the top 5 Taiwan International Brand, the only B2B company at the top 10 Taiwan International Brands. The “Advantech” brand valued US\$500mn in 2018. To enhance corporate governance and comply with international trend, Advantech transformed our Board Organization from Supervisory Systems to Independent Directors Systems starting since 2017. Our goal is the pursuit of excellence and sustainable operation and Advantech has established its altruistic spirit at the core of its business culture, along with the pursuit of the best and balanced interests of society, shareholders, customers, and employees.

Advantech Co., Ltd.

Chairman K.C. Liu

President Eric Chen

Miller Chang

Linda Tsai

Chief Financial officer Rorie Kang

Audit Committee's Review Report

The Company's 2018 Financial Statements have been agreed by Audit Committee members of the Company and approved by the Board of Directors. The CPA firm of Deloitte & Touche was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements.

The Board of Directors has prepared the Company's 2018 Business Report and proposal for allocation of profits. The 2018 Business Report and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company.

According with Article 14-4 of the securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Sincerely yours,

The 2019 General Shareholders' Meeting of Advantech Co., Ltd.

Chairman of the Audit Committee : Benson Liu

March 08, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 were as follows:

Assessment of Provisions for Inventory Write-downs

Inventories as of December 31, 2018 amounted to NT\$7,557,820 thousand and accounted for 17% of the total assets in the Group's consolidated financial statements, which represented a material percentage of the total assets.

The inventories of the Group are measured at the lower of cost or net realizable value and according to the ratios of possible impairment for aged inventories. Due to the rapid changes in the technological environment and the significant size and variety of inventories, after analyzing the structure of provisions for inventory valuation, we noticed that the provisions were generated from obsolescent inventories which were aged longer. We considered the evaluation of inventory write-downs of aged inventories as having a significant impact on the Group's consolidated financial statements. Therefore, the assessment of provisions for inventory write-downs was deemed to be one of the key audit matters.

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

1. We assessed and analyzed the Group's policies for the inventory write-downs provisions and compared them with other competitors' policies to affirm the reasonableness and consistency of application.
2. We understand the internal control, evaluated and tested the design and operating effectiveness of the internal controls over the provisions for inventory write-downs.
3. We reviewed the historical inventory aging reports to trace the process for the usage and scrap of aged inventories in order to assess the reasonableness of percentages for recognizing aged inventories.
4. We verified the appropriateness of source data, parameters and logic used in the Group's inventory aging analysis reports.

Sales Revenue

Since the Group operates in the highly competitive industry, we determined that revenue recognition of the Group carries risk due to the demand for the growth of sales and the need to remain competitive in the industry. Hence, the Group's sales revenue from several product lines and customers whose sales increased materially in numbers and percentages was considered as a key audit matter.

Our audit procedures performed in respect of sales revenue included the following:

1. We analyzed the trend of the industry, categories of revenue, product lines and customer categories for two consecutive years to confirm whether there were any abnormal situations or centralized trading which might put revenue recognition at risk.
2. We interviewed personnel who operates the control activities and reviewed related internal vouchers to understand the processes of internal controls related to revenue-recognition and evaluate the design, implementation, and operating effectiveness of internal controls over revenue recognition. Tested such internal controls to obtain sufficient and appropriate audit evidence of the effectiveness of key controls.
3. We obtained details of accounts, analyzed balances and confirmed or reconciled them with general ledgers; tested the reconciliation between detailed and general ledgers and traced the reconciliation to acquire sufficient and appropriate evidence.
4. We determined the appropriate methods of sampling and sample sizes and audited sales orders, packing lists and export declarations in order to evaluate whether the amount of revenue is recognized accurately and in accordance with the regulations for the preparation of financial reports.
5. We audited the records and vouchers of collections to evaluate whether the amounts of collections are accurate and the payers of such collections and the recipients of the related orders are consistent in order to attest the reality of sales.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017 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 IFRS, IAS, IFRIC, and 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 the audit committee, 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, 2018 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 Jr-Shian Ke and Meng-Chieh Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,633,161	15	\$ 5,204,219	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	2,098,552	5	3,098,846	8
Available-for-sale financial assets - current (Notes 4, 10 and 33)	-	-	229,381	1
Financial assets at amortized cost - current (Notes 4, 9 and 33)	157,426	1	-	-
Debt investments with no active market - current (Notes 4, 12 and 35)	-	-	38,908	-
Notes receivable (Notes 4 and 13)	1,461,404	3	1,255,781	3
Trade receivables (Notes 4 and 13)	6,870,878	16	6,596,030	16
Trade receivables from related parties (Note 34)	18,969	-	14,067	-
Other receivables	45,956	-	75,298	-
Inventories (Notes 4, 5 and 14)	7,557,820	17	6,242,251	15
Other current assets (Note 20)	<u>522,407</u>	<u>1</u>	<u>445,791</u>	<u>1</u>
Total current assets	<u>25,366,573</u>	<u>58</u>	<u>23,200,572</u>	<u>57</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4, 10 and 33)	-	-	1,430,854	4
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 33)	1,300,267	3	-	-
Financial assets measured at cost - non-current (Notes 4 and 11)	-	-	78,518	-
Investments accounted for using the equity method (Notes 4 and 16)	2,431,522	6	1,349,735	3
Property, plant and equipment (Notes 4, 17 and 35)	9,782,781	22	9,967,332	24
Goodwill (Notes 4, 5 and 18)	2,840,001	6	2,727,549	7
Other intangible assets (Notes 4, 5 and 19)	1,095,899	2	1,124,407	3
Deferred tax assets (Notes 4 and 26)	501,260	1	398,441	1
Prepayments for business facilities	273,386	1	68,440	-
Long-term prepayments for leases (Note 20)	297,665	1	312,708	1
Other non-current assets (Note 31)	<u>47,718</u>	<u>-</u>	<u>45,213</u>	<u>-</u>
Total non-current assets	<u>18,570,499</u>	<u>42</u>	<u>17,503,197</u>	<u>43</u>
TOTAL	\$ 43,937,072	<u>100</u>	\$ 40,703,769	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 21)	\$ 87,581	-	\$ 8,400	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 33)	6,139	-	6,226	-
Notes payable and trade payables (Notes 4 and 34)	5,810,904	13	5,280,728	13
Other payables (Note 22)	3,662,199	8	3,624,710	9
Current tax liabilities (Notes 4 and 26)	1,611,886	4	1,269,165	3
Short-term warranty provisions	196,782	1	180,975	-
Current portion of long-term borrowings (Note 21)	9,626	-	-	-
Other current liabilities	<u>761,473</u>	<u>2</u>	<u>676,457</u>	<u>2</u>
Total current liabilities	<u>12,146,590</u>	<u>28</u>	<u>11,046,661</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 21)	45,784	-	113,717	-
Deferred tax liabilities (Notes 4 and 26)	1,798,914	4	1,399,013	4
Net defined benefit liabilities (Notes 4 and 23)	255,545	1	237,225	1
Other non-current liabilities	<u>149,653</u>	<u>-</u>	<u>146,713</u>	<u>-</u>
Total non-current liabilities	<u>2,249,896</u>	<u>5</u>	<u>1,896,668</u>	<u>5</u>
Total liabilities	<u>14,396,486</u>	<u>33</u>	<u>12,943,329</u>	<u>32</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	6,982,275	16	6,970,325	17
Advance receipts for share capital	<u>4,680</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
Total share capital	<u>6,986,955</u>	<u>16</u>	<u>6,972,825</u>	<u>17</u>
Capital surplus	<u>7,073,348</u>	<u>16</u>	<u>6,554,842</u>	<u>16</u>
Retained earnings				
Legal reserve	5,655,613	13	5,039,962	13
Special reserve	369,655	1	85,204	-
Unappropriated earnings	<u>10,015,895</u>	<u>23</u>	<u>9,297,896</u>	<u>23</u>
Total retained earnings	<u>16,041,163</u>	<u>37</u>	<u>14,423,062</u>	<u>36</u>
Other equity				
Exchange differences on translation of foreign financial statements	(475,245)	(1)	(463,479)	(1)
Unrealized gain on available-for-sale financial assets	-	-	93,824	-
Unrealized gain on financial assets at fair value through other comprehensive income	(324,254)	(1)	-	-
Other equity - unearned stock-based employee comprehensive	<u>736</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other equity	<u>(798,763)</u>	<u>(2)</u>	<u>(369,655)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	29,302,703	67	27,581,074	68
NON-CONTROLLING INTERESTS	<u>237,883</u>	<u>-</u>	<u>179,366</u>	<u>-</u>
Total equity	<u>29,540,586</u>	<u>67</u>	<u>27,760,440</u>	<u>68</u>
TOTAL	\$ 43,937,072	<u>100</u>	\$ 40,703,769	<u>100</u>

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 34)				
Sales	\$ 47,495,030	97	\$ 43,367,051	98
Other operating revenue	<u>1,231,488</u>	<u>3</u>	<u>1,007,700</u>	<u>2</u>
Total operating revenue	48,726,518	100	44,374,751	100
OPERATING COSTS (Notes 14, 23, 25 and 34)	<u>30,063,070</u>	<u>62</u>	<u>26,993,793</u>	<u>61</u>
GROSS PROFIT	<u>18,663,448</u>	<u>38</u>	<u>17,380,958</u>	<u>39</u>
OPERATING EXPENSES (Notes 23, 25 and 34)				
Selling and marketing expenses	4,774,069	10	4,400,803	10
General and administrative expenses	2,424,667	5	2,389,863	5
Research and development expenses	<u>3,997,313</u>	<u>8</u>	<u>3,811,815</u>	<u>9</u>
Total operating expenses	<u>11,196,049</u>	<u>23</u>	<u>10,602,481</u>	<u>24</u>
OPERATING PROFIT	<u>7,467,399</u>	<u>15</u>	<u>6,778,477</u>	<u>15</u>
NON-OPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 16)	95,635	-	218,651	1
Interest income	38,789	-	16,461	-
Gains on disposal of property, plant and equipment	80,439	-	96,885	-
Gains on disposal of investments	8,012	-	292,441	1
Foreign exchange gains (losses), net (Notes 25 and 36)	16,956	-	(76,098)	-
Gains on financial instruments at fair value through profit or loss (Note 7)	59,322	-	207,795	-
Dividend income	106,315	-	122,220	-
Other income (Note 34)	173,002	1	95,772	-
Finance costs (Note 25)	(4,685)	-	(12,117)	-
Losses on financial instruments at fair value through profit or loss (Note 7)	(39,710)	-	(84,658)	-
Impairment loss	-	-	(112,120)	-
Other losses	<u>(6,985)</u>	<u>-</u>	<u>(10,166)</u>	<u>-</u>
Total non-operating income	<u>527,090</u>	<u>1</u>	<u>755,066</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	7,994,489	16	7,533,543	17
INCOME TAX EXPENSES (Note 26)	<u>1,677,741</u>	<u>3</u>	<u>1,384,254</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>6,316,748</u>	<u>13</u>	<u>6,149,289</u>	<u>14</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 16, 23, 24 and 26):				
Remeasurement of defined benefit plans	\$ (20,858)	-	\$ (23,905)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(14,942)	-	(1,306)	-
Unrealized loss on investments in equity instruments as at fair value through other comprehensive income	(445,333)	(1)	-	-
Income tax related to items that will not be reclassified	6,316	-	4,064	-
Items that may be reclassified subsequently to profit or loss (Notes 16, 23, 24 and 26):				
Exchange differences on translation of foreign financial statements	(30,455)	-	(315,229)	(1)
Unrealized gains (losses) on available-for-sale financial assets	-	-	(18,605)	-
Share of the other comprehensive losses of associates	(11,074)	-	(6,919)	-
Income tax related to items that may be reclassified subsequently to profit or loss	<u>23,883</u>	<u>-</u>	<u>54,450</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(492,463)</u>	<u>(1)</u>	<u>(307,450)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,824,285</u>	<u>12</u>	<u>\$ 5,841,839</u>	<u>13</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 6,294,657	13	\$ 6,156,516	14
Non-controlling interests	<u>22,091</u>	<u>-</u>	<u>(7,227)</u>	<u>-</u>
	<u>\$ 6,316,748</u>	<u>13</u>	<u>\$ 6,149,289</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,807,959	12	\$ 5,850,991	13
Non-controlling interests	<u>16,326</u>	<u>-</u>	<u>(9,152)</u>	<u>-</u>
	<u>\$ 5,824,285</u>	<u>12</u>	<u>\$ 5,841,839</u>	<u>13</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	<u>\$ 9.02</u>		<u>\$ 8.84</u>	
Diluted	<u>\$ 8.93</u>		<u>\$ 8.77</u>	

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Issued Capital (Notes 24 and 28)				Retained Earnings (Notes 4, 23 and 24)			Unrealized Gain on Financial Assets Through Other Comprehensive Income		Other Equity (Note 24)		Total Equity
	Share Capital	Advance Receipts for Ordinary Shares	Capital Surplus (Notes 4, 24 and 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Translation of Foreign Financial Statements	Unrealized Gain on Available-for-sale Financial Assets	Unvested Stock-based Employee Compensation	Noncontrolling Interests (Notes 24, 29 and 30)	
BALANCE AT JANUARY 1, 2017	\$ 6,330,741	\$ 100	\$ 6,058,884	\$ 4,473,276	\$ -	\$ 8,435,785	\$ 12,909,061	\$ (197,633)	\$ 112,429	\$ -	\$ 173,215	
Appropriation of the 2016 earnings	-	-	-	566,686	-	(566,686)	-	-	-	-	-	-
Legal reserve	-	-	-	-	85,204	(85,204)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(3,988,367)	(3,988,367)	(3,988,367)	-	-	-	-	(3,988,367)
Share dividends on ordinary shares	633,074	-	-	-	(633,074)	(633,074)	-	-	-	-	-	-
Recognition of employee share options by the Company	6,510	2,400	68,510	-	-	-	-	-	-	-	-	77,420
Compensation costs recognized for employee share options	-	-	424,637	-	-	-	-	-	-	-	-	424,637
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	2,054	-	-	-	-	-	-	-	-	2,054
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	15,203	15,203
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	757
Net profit for the year ended December 31, 2017	-	-	-	-	-	6,156,516	6,156,516	-	-	-	(7,227)	6,149,289
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(21,074)	(21,074)	(205,846)	(18,605)	-	(1,925)	(307,450)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	6,135,442	6,135,442	(205,846)	(18,605)	-	(9,152)	5,881,839
BALANCE AT DECEMBER 31, 2017	6,970,325	2,500	6,554,842	5,039,962	85,204	9,297,896	14,422,062	(463,479)	93,824	-	179,586	27,760,440
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(34,002)	(34,002)	-	(93,824)	-	-	(44,827)
BALANCE AT JANUARY 1, 2018	6,970,325	2,500	6,554,842	5,039,962	85,204	9,263,894	14,388,060	(463,479)	-	-	179,586	27,576,592
Appropriation of the 2017 earnings	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-
Legal reserve	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,600,414)	(4,600,414)	(4,600,414)	-	-	-	-	(4,600,414)
Recognition of employee share options by the Company	11,950	2,180	104,246	-	-	-	-	-	-	-	-	118,376
Compensation costs recognized for employee share options	-	-	341,624	-	-	-	-	-	-	-	-	341,624
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	2,660	-	-	-	-	-	-	736	-	3,396
Associates using equity methods	-	-	-	-	-	(14,716)	(14,716)	-	-	-	-	(14,716)
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	-	-
Recognized for employee by subsidiaries	-	-	70,716	-	-	-	-	-	-	-	41,385	112,101
Net profit for the year ended December 31, 2018	-	-	(740)	-	-	6,294,657	6,294,657	-	-	-	806	66
Other comprehensive income (loss) for year ended December 31, 2018, net of income tax	-	-	-	-	-	(15,687)	(15,687)	(11,766)	-	-	22,091	6,316,748
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	6,278,970	6,278,970	(11,766)	(459,245)	-	(45,065)	6,294,657
Associates disposal of investments in equity instruments recognized as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	16,326	5,824,285
BALANCE AT DECEMBER 31, 2018	\$ 6,982,275	\$ 4,680	\$ 7,072,348	\$ 5,655,613	\$ 569,656	\$ 10,015,895	\$ 16,041,163	\$ (475,245)	\$ (324,254)	\$ 736	\$ 237,883	\$ 29,530,836

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,994,489	\$ 7,533,543
Adjustments to reconcile profit (loss):		
Depreciation expenses	567,706	587,293
Amortization expenses	165,406	228,062
Amortization expenses for prepayments of lease obligations	8,844	8,741
Impairment loss recognized (reversed) for trade receivables	-	3,030
Expected loss on credit impairment	19,432	-
Net gain on financial assets or liabilities at fair value through profit or loss	(19,612)	(123,137)
Compensation costs of employee share options	341,624	424,637
Finance costs	4,685	12,117
Interest income	(38,789)	(16,461)
Dividend income	(106,315)	(122,220)
Share of profit of associates accounted for using the equity method	(95,635)	(218,651)
Gain on disposal of property, plant and equipment	(80,439)	(96,885)
Gain on disposal of investments	(8,012)	(292,441)
Impairment loss	-	112,120
Changes in operating assets and liabilities		
Financial assets held for trading	967,642	(2,866,686)
Notes receivable	(205,623)	(290,700)
Trade receivables	(278,370)	(193,567)
Trade receivables from related parties	(4,902)	(110)
Other receivables	29,342	(61,523)
Inventories	(1,310,932)	(614,558)
Other current assets	(76,001)	40,203
Notes payable and trade payables	510,358	270,599
Net defined benefit liabilities	(2,538)	960
Other payables	(3,165)	(280,286)
Short-term warranty provisions	15,807	13,853
Other current liabilities	84,143	15,583
Other non-current liabilities	2,940	5,115
Cash generated from operations	8,482,085	4,078,631
Interest received	38,789	16,461
Dividends received	106,315	122,220
Interest paid	(3,093)	(9,620)
Income tax paid	(1,198,350)	(1,196,403)
Net cash generated from operating activities	<u>7,425,746</u>	<u>3,011,289</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (41,168)	\$ -
Purchase of financial assets at amortized cost	(116,998)	-
Purchase of available-for-sale financial assets	-	(6,589,478)
Proceeds from sale of available-for-sale financial assets	-	9,872,540
Proceeds from sale of debt investments with no active market	-	26,485
Purchase of financial assets measured at cost	-	(77,333)
Purchase of investments accounted for using the equity method	(1,081,527)	(615,000)
Net cash flow on the acquisition of subsidiaries	(60,322)	(118,847)
Dividends received from associates	146,250	75,026
Payments for property, plant and equipment	(574,229)	(533,741)
Proceeds from disposal of property, plant and equipment	189,061	146,582
Decrease (increase) in refundable deposits	(2,151)	6,858
Payments for intangible assets	(111,209)	(76,167)
Decrease (increase) in prepayments for equipment	<u>(116,865)</u>	<u>12,820</u>
Net cash generated from (used in) investing activities	<u>(1,769,158)</u>	<u>2,129,745</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in short-term loans	79,481	(456,480)
Repayments of long-term borrowings	(54,245)	(22,733)
Increase in guarantee deposits received	-	200
Payments of cash dividends	(4,600,414)	(3,988,367)
Exercise of employee share options	118,376	77,420
Increase in non-controlling interests	<u>104,910</u>	<u>757</u>
Net cash used in financing activities	<u>(4,351,892)</u>	<u>(4,389,203)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>124,246</u>	<u>(185,189)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,428,942	566,642
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,204,219</u>	<u>4,637,577</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,633,161</u>	<u>\$ 5,204,219</u>

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

(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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 were as follows:

Assessment of Provision for Inventory Write-downs

Inventories as of December 31, 2018 amounted to NT\$3,630,979 thousand and accounted for 9% of the total assets in the Company's financial statements, which represented a material percentage of the total asset.

The inventories of the Company are measured at the lower of cost or net realizable value and according to the ratios of possible impairment for aged inventories. Due to the rapid changes in the technological environment and the significant size and variety of inventories, after analyzing the structure of provisions for inventory valuation, we noticed that the provisions were generated from obsolescent inventories which were aged longer. We considered the evaluation of inventory write-downs of aged inventories as having a significant impact on the Company's financial statements. Therefore, the assessment of provisions for inventory write-downs was deemed to be one of the key audit matters.

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

1. We assessed and analyzed the Company's policies for the inventory write-downs provisions and compared them with other competitors' policies to affirm the reasonableness and consistency of application.
2. We understood the internal control, evaluated and tested the design and operating effectiveness of the internal controls over the provisions for inventory write-downs.
3. We reviewed the historical inventory aging reports to trace the process for the usage and scrap of aged inventories in order to assess the reasonableness of percentages for recognizing aged inventories.
4. We verified the appropriateness of source data, parameters and logic used in the Company's inventory aging analysis reports.

Sales Revenue

Since the Company operates in the highly competitive industry, we determined that revenue recognition of the Company carries risk due to the demand for the growth of sales and the need to remain competitive in the industry. Hence, the Company's sales revenue from several product lines whose sales increased materially in numbers and percentages was considered as a key audit matter.

Our audit procedures performed in respect of sales revenue included the following:

1. We analyzed the trend of the industry, categories of revenue, product lines and customer categories for two consecutive years to confirm whether there were any abnormal situations or centralized trading which might put revenue recognition at risk.
2. We interviewed personnel who operates the control activities and reviewed related internal vouchers to understand the processes of internal controls related to revenue-recognition and evaluate the design, implementation, and operating effectiveness of internal controls over revenue recognition. We tested such internal controls to obtain sufficient and appropriate audit evidence of the effectiveness of key controls.
3. We obtained details of accounts, analyzed balances and confirmed or reconciled them with general ledgers; we tested the reconciliation between detailed and general ledgers and traced the reconciliation to acquire sufficient and appropriate evidence.
4. We determined the appropriate methods of sampling and sample sizes and audited sales orders, packing lists and export declarations in order to evaluate whether the amount of revenue is recognized accurately and in accordance with the regulations for the preparation of financial reports.
5. We audited the records and vouchers of collections to evaluate whether the amounts of collections are accurate and the payers of such collections and the recipients of the related orders are consistent in order to attest the reality of sales.

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 the audit committee, 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, 2018 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 Jr-Shian Ke and Meng-Chieh Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,509,958	6	\$ 2,436,648	7
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 27)	1,360,381	3	645,100	2
Notes receivable (Notes 4 and 10)	75,203	-	62,468	-
Trade receivables (Notes 4 and 10)	1,487,837	4	1,546,135	4
Trade receivables from related parties (Notes 4 and 28)	5,655,196	14	4,603,076	12
Other receivables	143,225	-	143,493	-
Other receivables from related parties (Note 28)	41,111	-	15,569	-
Inventories (Notes 4, 5 and 11)	3,630,979	9	2,654,681	7
Other current assets	42,717	-	46,533	-
Total current assets	14,946,607	36	12,153,703	32
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4, 9 and 27)	-	-	1,419,479	4
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 27)	1,028,441	3	-	-
Investments accounted for using the equity method (Notes 4, 5 and 12)	17,723,652	43	16,591,055	44
Property, plant and equipment (Notes 4 and 13)	6,752,642	17	6,865,025	19
Goodwill (Notes 4 and 14)	111,599	-	111,599	-
Other intangible assets (Note 4)	105,532	-	75,584	-
Deferred tax assets (Notes 4 and 19)	343,646	1	236,699	1
Prepayments for equipment	26,344	-	20,126	-
Other non-current assets	3,963	-	6,755	-
Total non-current assets	26,095,819	64	25,326,322	68
TOTAL	\$ 41,042,426	100	\$ 37,480,025	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 27)	\$ 6,128	-	\$ 6,226	-
Notes payable and trade payables	3,963,470	10	3,459,433	9
Trade payables to related parties (Note 28)	1,695,599	4	1,123,366	3
Other payables (Note 15)	2,530,927	6	2,470,498	7
Other payables to related parties (Note 28)	54,583	-	77,549	-
Current tax liabilities (Notes 4 and 19)	1,413,134	4	1,108,579	3
Short-term warranty provisions (Note 4)	57,675	-	53,304	-
Other current liabilities	139,075	-	151,823	-
Total current liabilities	9,860,591	24	8,450,778	22
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	1,568,910	4	1,162,514	3
Net defined benefit liabilities (Notes 4 and 16)	255,273	1	236,251	1
Other non-current liabilities	54,949	-	49,408	-
Total non-current liabilities	1,879,132	5	1,448,173	4
Total liabilities	11,739,723	29	9,898,951	26
EQUITY				
Share capital				
Ordinary shares	6,982,275	17	6,970,325	19
Advance receipts for share capital	4,680	-	2,500	-
Total share capital	6,986,955	17	6,972,825	19
Capital surplus	7,073,348	17	6,554,842	18
Retained earnings				
Legal reserve	5,655,613	14	5,039,962	13
Special reserve	369,655	1	85,204	-
Unappropriated earnings	10,015,895	24	9,297,896	25
Total retained earnings	16,041,163	39	14,423,062	38
Other equity				
Exchange differences on translation of foreign financial statements	(475,245)	(1)	(463,479)	(1)
Unrealized gain on available-for-sale financial assets	-	-	93,824	-
Unrealized gain on financial assets at fair value through other comprehensive income	(324,254)	(1)	-	-
Other equity - unearned employee compensation	736	-	-	-
Total other equity	(798,763)	(2)	(369,655)	(1)
Total equity	29,302,703	71	27,581,074	74
TOTAL	\$ 41,042,426	100	\$ 37,480,025	100

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

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 28)				
Sales	\$ 34,928,854	99	\$ 30,518,459	99
Other operating revenue	<u>453,922</u>	<u>1</u>	<u>382,118</u>	<u>1</u>
Total operating revenue	35,382,776	100	30,900,577	100
OPERATING COSTS (Notes 11, 18 and 28)	<u>24,735,871</u>	<u>70</u>	<u>21,520,472</u>	<u>70</u>
GROSS PROFIT	10,646,905	30	9,380,105	30
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(665,475)	(2)	(446,326)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>446,326</u>	<u>2</u>	<u>264,679</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>10,427,756</u>	<u>30</u>	<u>9,198,458</u>	<u>30</u>
OPERATING EXPENSES (Notes 18 and 28)				
Selling and marketing expenses	661,227	2	683,065	2
General and administrative expenses	867,975	3	832,526	3
Research and development expenses	<u>2,965,117</u>	<u>8</u>	<u>2,837,185</u>	<u>9</u>
Total operating expenses	<u>4,494,319</u>	<u>13</u>	<u>4,352,776</u>	<u>14</u>
OPERATING PROFIT	<u>5,933,437</u>	<u>17</u>	<u>4,845,682</u>	<u>16</u>
NON-OPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 12)	1,326,913	4	1,965,070	6
Interest income (Note 4)	234	-	923	-
Gains on disposal of property, plant and equipment (Note 4)	87,990	-	99,749	-
Gains on disposal of investments (Notes 4 and 16)	-	-	165,076	1
Foreign exchange losses, net (Notes 4, 18 and 29)	38,413	-	(45,802)	-
Gains on financial instruments at fair value through profit or loss (Note 4)	39,052	-	65,594	-
Dividend income (Note 4)	77,692	-	89,215	-
Other income (Notes 8, 22 and 28)	168,230	1	109,510	-
Finance costs (Note 18)	(33)	-	-	-
Losses on financial instruments at fair value through profit or loss (Note 4)	(37,756)	-	(84,455)	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Impairment loss recognized on investments accounted for using the equity method (Note 12)	\$ -	-	\$ (66,443)	-
Other losses	(32)	-	(130)	-
Total non-operating income	<u>1,700,703</u>	<u>5</u>	<u>2,298,307</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	7,634,140	22	7,143,989	23
INCOME TAX EXPENSE (Notes 4 and 19)	<u>1,339,483</u>	<u>4</u>	<u>987,473</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>6,294,657</u>	<u>18</u>	<u>6,156,516</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	(21,155)	-	(23,710)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 12 and 17)	(14,802)	-	(1,395)	-
Unrealized loss on investment in equity instruments as at fair value through other comprehensive income (Note 17)	(445,333)	(2)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	6,358	-	4,031	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements (Notes 4 and 17)	(24,575)	-	(313,377)	(1)
Unrealized losses on available-for-sale financial assets (Notes 4 and 17)	-	-	(1,678)	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4, 12 and 17)	(11,074)	-	(23,846)	-
Income tax relating to item that may be reclassified subsequently to profit (Notes 4, 17 and 19)	<u>23,883</u>	<u>-</u>	<u>54,450</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(486,698)</u>	<u>(2)</u>	<u>(305,525)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,807,959</u>	<u>16</u>	<u>\$ 5,850,991</u>	<u>19</u>

(Continued)

ADVANTECH CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 9.02</u>		<u>\$ 8.84</u>	
Diluted	<u>\$ 8.93</u>		<u>\$ 8.77</u>	

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

(Concluded)

ADVANTECH CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Issued Capital (Notes 17 and 21)		Capital Surplus (Notes 4, 17 and 21)		Retained Earnings (Notes 4 and 17)		Other Equity (Notes 4 and 17)				Total Equity	
	Share Capital	Advance Receipts for Ordinary Share	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets		Unearned Share-Based Employee Compensation
BALANCE AT JANUARY 1, 2017	\$ 6,330,741	\$ 100	\$ 6,330,841	\$ 4,473,276	\$ -	\$ 8,635,785	\$ 12,909,061	\$ (197,633)	\$ -	\$ 112,429	\$ -	\$ 23,213,582
Appropriation of the 2016 earnings	-	-	-	566,686	-	(566,686)	-	-	-	-	-	-
Legal reserve	-	-	-	-	85,204	(85,204)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(3,988,367)	(3,988,367)	-	-	-	-	(3,988,367)
Cash dividends on ordinary shares	-	-	-	-	-	(633,074)	(633,074)	-	-	-	-	-
Share dividends on ordinary shares	633,074	-	633,074	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the Company	6,510	2,400	8,910	-	-	-	-	-	-	-	-	77,420
Compensation costs recognized for employee share options	-	-	-	424,637	-	-	-	-	-	-	-	424,637
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	2,054	-	-	-	-	-	-	-	2,054
Changes in percentage of ownership interests in subsidiaries	-	-	-	757	-	-	-	-	-	-	-	757
Net profit for the year ended December 31, 2017	-	-	-	-	-	6,156,516	6,156,516	-	-	-	-	6,156,516
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(21,074)	(21,074)	(265,846)	-	(18,605)	-	(305,525)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	6,135,442	6,135,442	(265,846)	-	(18,605)	-	5,850,991
BALANCE AT DECEMBER 31, 2017	6,970,325	2,800	6,972,825	5,039,962	85,204	9,297,896	14,423,062	(463,479)	-	93,824	-	27,581,074
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(34,002)	(34,002)	-	-	(93,824)	-	(4,572)
BALANCE AT JANUARY 1, 2018	6,970,325	2,800	6,972,825	5,039,962	85,204	9,263,894	14,389,060	(463,479)	-	-	-	27,576,502
Appropriation of the 2017 earnings	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-
Legal reserve	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(4,600,414)	(4,600,414)	-	-	-	-	(4,600,414)
Cash dividends distributed on ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the Company	11,950	2,180	14,130	-	-	-	-	-	-	-	-	118,376
Compensation costs recognized for employee share options	-	-	-	341,624	-	-	-	-	-	-	-	341,624
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	2,660	-	-	-	-	-	-	736	3,396
Associates using equity methods	-	-	-	-	-	(14,716)	(14,716)	-	-	-	-	(14,716)
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	-	70,716
Recognized for employee by subsidiaries	-	-	-	70,716	-	-	-	-	-	-	-	(740)
Net profit for the year ended December 31, 2018	-	-	-	-	-	6,294,657	6,294,657	-	-	-	-	6,294,657
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(15,687)	(15,687)	(11,766)	-	-	-	(486,698)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	6,278,970	6,278,970	(11,766)	-	-	-	5,807,959
Associates disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(11,732)	(11,732)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 5,655,613	\$ 369,655	\$ 10,015,895	\$ 16,041,163	\$ (475,245)	\$ (324,254)	\$ -	\$ 736	\$ 29,302,703

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

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,634,140	\$ 7,143,989
Adjustments to reconcile profit (loss):		
Depreciation expenses	255,248	272,639
Amortization expenses	85,574	81,067
Impairment loss recognized for trade receivables	-	185
Expected loss on credit impairment	6,815	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(1,296)	18,861
Financial costs	33	-
Interest income	(234)	(923)
Dividend income	(77,692)	(89,215)
Compensation costs of employee share options	341,624	424,637
Share of profit of subsidiaries and associates accounted for using the equity method	(1,326,913)	(1,965,070)
Gain on disposal of property, plant and equipment	(87,990)	(99,749)
Gain on disposal of investments	-	(165,076)
Impairment loss recognized on investments accounted for using the equity method	-	66,443
Realized loss on the transactions with subsidiaries and associates	219,149	181,647
Changes in operating assets and liabilities		
Financial assets held for trading	(714,083)	(632,232)
Notes receivable	(12,735)	4,755
Trade receivables	51,483	(2,716)
Trade receivables from related parties	(1,052,120)	(694,628)
Other receivables	268	(37,564)
Other receivables from related parties	(25,542)	3,433
Inventories	(976,298)	(718,808)
Other current assets	3,816	(8,172)
Notes payable and trade payables	504,037	1,908,464
Trade payables to related parties	572,233	(1,487,276)
Other payables	60,429	(73,796)
Other payables to related parties	(22,966)	(77,531)
Short-term warranty provisions	4,371	4,149
Net defined benefit liabilities	(2,133)	1,371
Other current liabilities	(12,748)	(2,169)
Other non-current liabilities	5,385	13,655
Cash generated from operations	5,431,855	4,070,370
Interest received	234	923
Dividends received	77,692	89,215
Interests paid	(33)	-
Income tax paid	(705,238)	(783,217)
Net cash generated from operating activities	4,804,510	3,377,291

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	\$ -	\$ (5,082,000)
Proceeds from sale of available-for-sale financial assets	-	6,220,989
Acquisition of investments accounted for using equity method	(1,731,720)	(637,500)
Proceeds from disposal of subsidiaries	126,769	-
Proceeds from capital reduction of investees accounted for using equity method	530,458	-
Payments for property, plant and equipment	(204,404)	(252,269)
Proceeds from disposal of property, plant and equipment	113,260	135,528
Increase(decrease) in refundable deposits	2,792	(1,094)
Payments for intangible assets	(111,209)	(76,794)
Decrease in prepayments for equipment	25,738	17,924
Dividends received from subsidiaries and associates	<u>998,998</u>	<u>636,457</u>
Net cash generated from (used in) investing activities	<u>(249,318)</u>	<u>961,241</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	156	816
Cash dividends paid	(4,600,414)	(3,988,367)
Exercise of employee share options	<u>118,376</u>	<u>77,420</u>
Net cash used in financing activities	<u>(4,481,882)</u>	<u>(3,910,131)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,310	428,401
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,436,648</u>	<u>2,008,247</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,509,958</u>	<u>\$ 2,436,648</u>

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

(Concluded)

Advantech Co., Ltd.**2018 Profit Distribution Table**

Item	Total
Unappropriated retained earnings - beginning	3,797,379,616
Less: Retrospective application and retrospective restatement	(34,001,578)
Adjusted Unappropriated Retained Earnings – Beginning	3,763,378,038
Less: Adjustment of retained earnings due to investments accounted for using the equity method	(14,715,950)
Less: Remeasurements of the defined benefit recognized in retained	(15,687,150)
Less: cumulative profit or loss of disposals of investments in equity instruments designated as at fair value through other comprehensive income directly transferred to retained earnings	(11,736,286)
Adjusted Unappropriated Retained Earnings	3,721,238,652
Add: Net income	6,294,657,374
Less: 10% legal reserve appropriated	(629,465,737)
Less: Special reserve appropriated	(429,108,736)
Current earnings available for distribution	8,957,321,553
Distributions:	
Common stock cash dividend (Dividends Per Share \$6.6)	(4,751,129,468)
Unappropriated retained earnings - ending	4,206,192,085

Chairman: K.C. Liu

President: Eric Chen

Chief Financial officer: Rorie Kang

Miller Chang

Linda Tsai

Advantech Co., Ltd.

Corporate Charter (Articles of Incorporation) Article Amendments Table

After amendment	Before amendment	Remark
Article 1.1 When conducting its business, every company shall comply with the laws and regulations as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.	Article 1.1	This article added
Article 5.2 The entitled transferees who receive the shares bought by the Company based on Article 167-1 of Company Act include the employees of parents or subsidiaries of the company meeting certain specific requirements. The entitled transferees who receive share subscription warrants based on Article 167-2 of Company Act include the employees of parents or subsidiaries of the company meeting certain specific requirements. The employees who are entitled to subscribe new shares or restricted stock issued by the Company based on Article 267 of Company Act include the employees of parents or subsidiaries of the company meeting certain specific requirements.	Article 5.2	1.This article added 2.According to the governing law and regulations
Article 6.1 Deleted	Article 6.1 The Company may be requested by Taiwan Depository and Clearing Corp. to issue large denomination stocks.	1.This article added 2.According to the governing law and regulations
Article 7 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 7 <u>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.</u> 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.	According to the governing law and regulations
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,	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,	wording revise

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.	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 13.4 The company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.	Article 13.4 The Company may <u>purchase</u> liability insurance for directors throughout the tenure based on their scope of responsibility.	wording revise
Article 14.1 Meetings of the board of directors shall be convened by the chairman of the board of directors. The majority or more of the directors may, by filing a written proposal setting forth therein the subjects for discussions and the reasons, request the chairman of the board of directors to convene a meeting of the board of directors. If the chairman of the board of directors fails to convene a meeting of board of directors within 15 days after the filing of the request under the preceding paragraph, the proposing directors may convene a meeting of board of directors on their own.	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.	1.This article added 2.According to the governing law and regulations
Article 14.2 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.	Article 14.2	The original article of § 14-1 moves to § 14-2
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, <u>the above mentioned</u> proxy should be issued each time with the scope of authorization detailed to have one and only deputy delegated.	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, <u>a</u> proxy should be issued each time with the scope of authorization detailed to have one and only deputy delegated.	wording revise

<p>Article 20 The Company may, by a resolution adopted by a majority vote at the meeting of the Board of Directors attended by two-thirds of total members, have the profit value not less than 5% of the total Company's surplus (if any) distributable as employees' compensation distributed in the form of shares or in cash. The entitled transferees who receive the compensation include the employees of parents or subsidiaries of the company meeting certain specific requirements. The remuneration for Directors with the maximum value as 1% of the above-mentioned Company's surplus may be distributable by a resolution adopted by the Board of Directors. The proposed bonus to employees and remuneration to directors 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 according to the ratio referred to above.</p>	<p>Article 20 The company's annual profits, if any, should not be less than 5% 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. The proposed bonus to employees and remuneration to directors 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 according to the ratio referred to above.</p>	<p>wording revise</p>
<p>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.</p>	<p>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.</p>	<p>According to the actual practice</p>
<p>Article 20.2 The Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside 10% of such profits as a legal reserve. However when the legal reserve amount has reached the one of the paid-in capital of the Company, this shall not apply. The balance shall be accounted or reversed to special reserve based on legal regulations, and accumulated to undistributed earnings (if any further balance exists after the accounting or reversal). The Board of Directors shall draft the proposal for surplus distribution. Such surplus is distributable by a resolution adopted by the shareholders' meeting if adopt distribution approach in the form of shares, and a resolution adopted by the Board of Director if adopting the approach in cash. The company's dividend policy is formed under the consideration of its future funding demands and long-term financial planning as well as the interests of shareholders to distribute at least 30% of available profits for revenue allocation as dividends to shareholders annually; and among them, the distribution of cash dividends shall not be less than 20% of the total dividend</p>	<p>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. The company's dividend policy is formed under the consideration of its future funding demands and long-term financial planning as well as the interests of shareholders to distribute at least 30% of available profits for revenue allocation as dividends to shareholders annually; and among them, the distribution of cash dividends shall not be less than 20% of the total dividend distribution amount of that particular year.</p>	<p>According to the governing law and regulations</p>

distribution amount of that particular year.		
<p>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 34th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016. The 35th amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017. The 36th amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2018. <u>The 37th amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2019.</u></p>	<p>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. The 35rd amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017. The 36th amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2018.</p>	<p>Update the date of the amendment</p>

Advantech Co., Ltd.

Procedures for Lending Funds to Other Parties

After amendment	Before amendment	Remark
<p>Article 3 Lending Counterparts 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). The company capital of foreign companies whose 100% of voting shares are directly or <u>indirectly held by the Company may be loaned to all third parties and each individual company with the total values not exceed 40% of the net worth of the borrower companies, and in a loan applicable duration not longer than 5 years.</u></p>	<p>Article 3 Lending Counterparts 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, <u>if engaged in the lending business, will be exempt from the restrictions referred to in the first paragraph of Article 4.</u></p>	According to the actual practice
<p>Article 4 Lending Amount and Financing Limit The total values of Company capital loaned to all third parties shall not exceed 20% of the Company’s net value of the current period, <u>while such value shall not exceed 10% to any individual party receiving the loaned Company capital.</u></p>	<p>Article 4 Lending Amount and Financing Limit The total amount lent to others (loanable funds) shall not exceed 20% of the net value of the Company. <u>The total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds.</u></p>	According to the actual practice
<p>Article 6 Term of Loan The term of the loan shall be limited to one year. 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.</p>	<p>Article 6 Term of Loan The term of the loan shall be limited to one year; <u>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.</u> 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.</p>	According to the actual practice

<p>Article 14 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>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 Audit Committee.</p>	<p>Article 14 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>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 Audit Committee.</p>	<p>According to the actual practice</p>
<p>Article 15 These Procedures were established on May 3, 1997.</p> <p>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. The 6th amendment was made on May 26, 2017. The 7th amendment was made on May 28, 2019.</p>	<p>Article 15 These Procedures were established on May 3, 1997.</p> <p>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. The 6th amendment was made on May 26, 2017.</p>	<p>Update the date of the amendment</p>

Advantech Co., Ltd.

Procedures for the Acquisition or Disposal of Assets

After amendment	Before amendment	Remark
<p>Article 2</p> <p>The companies shall handle the acquisition or disposal of assets in compliance with these Regulations; provided, where financial laws or regulations provide otherwise, such provisions shall govern.</p>	<p>Article 2</p> <p>The Company shall handle the acquisition or disposal of assets in compliance with these Procedures; provided, where <u>another</u> law or regulation provides otherwise, such provisions shall govern.</p>	According to the governing law and regulations
<p>Article 3</p> <p>The term "assets" as used in these Regulations 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, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Right-of-use assets.</u> 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 7. Derivatives. 8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 9. Other major assets. 	<p>Article 3</p> <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, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to <u>use land</u>, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 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. 	According to the governing law and regulations
<p>Article 4</p> <p>Terms used in these Regulations are defined as follows:</p> <ol style="list-style-type: none"> 1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, <u>or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or</u> 	<p>Article 4</p> <p>Terms used in these Procedures are defined as follows:</p> <ol style="list-style-type: none"> 1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, <u>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.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales 	According to the governing law and regulations

<p><u>hybrid contracts or structured products containing embedded derivatives</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>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 156-3 of the Company Act.</p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>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 equipment.</p> <p>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.</p> <p>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.</p> <p><u>7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities</u></p>	<p>service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>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.</p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
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<p><u>firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p><u>8.Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p><u>9.Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		
<p>Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: 1.May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received. 2.May not be a related party or de facto related party of any party to the</p>	<p>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 <u>underwriter's opinions shall not be a related party of any party to the transaction.</u></p>	<p>According to the governing law and regulations</p>

<p>transaction.</p> <p>3.If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2.When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. 3.They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. 4.They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations 		
<p>Article 7</p> <p>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:</p> <ol style="list-style-type: none"> 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 	<p>Article 7</p> <p>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:</p> <ol style="list-style-type: none"> 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 	<p>According to the governing law and regulations</p>

<p>Company and the respective investment of <u>right-of-use assets or securities</u> shall be no more than each subsidiary's shareholders' equity.</p> <p>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.</p> <p>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.</p>	<p>Company and the respective investment of <u>short-term securities</u> shall be no more than each subsidiary's shareholders' equity.</p> <p>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.</p> <p>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.</p>	
<p>Article 8</p> <p>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.</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> <p>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.</p> <p>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 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>Article 8</p> <p>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.</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> <p>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.</p> <p>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 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>According to the governing law and regulations</p>

<p>Article 9 In acquiring or disposing of real property, equipment, or <u>right-of-use</u> assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or <u>right-of-use</u> assets thereof held 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:</p> <p>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; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>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 discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse</p>	<p>Article 9 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:</p> <p>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.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>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 discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>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</p>	<p>According to the governing law and regulations</p>
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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.	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>Article 11</u> Where the company acquires or disposes of intangible assets or <u>right-of-use assets thereof</u> or <u>memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic 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.	<u>Article 11</u> Where the Company acquires or disposes of <u>memberships</u> 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 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.	According to the governing law and regulations
<u>Article 12</u> 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.	<u>Article 11.1</u> 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.	According to the governing law and regulations
<u>Article 13</u> 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>Article 12</u> 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.	According to the governing law and regulations
<u>Article 14</u> 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	<u>Article 13</u> 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	According to the governing law and regulations

<p>compliance with the provisions of Article <u>12</u>. 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.</p>	<p>compliance with the provisions of Article <u>11.1</u>. 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.</p>	
<p><u>Article 15</u> When the Company intends to acquire or dispose of real property or <u>right-of-use assets thereof</u> from or to a related party, regardless of the amount, or when it intends to acquire or dispose of assets other than real property or <u>right-of-use assets thereof</u> 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:</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 or <u>right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17. 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 	<p><u>Article 14</u> When the Company intends to acquire or dispose of real property from or to a related party, 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:</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 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 	<p>According to the governing law and regulations</p>

<p>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 Article 31 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 audit committee need not be counted toward the transaction amount. With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the company's board of directors may pursuant to Article 9 delegate the board chairman 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><u>1.Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>2.Acquisition or disposal of real property right-of-use assets held for business use.</u></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> <p>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</p>	<p>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 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 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 matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>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.</p>	
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<p>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>Article 16</u> The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> 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 transaction counterparties. <p>Where land and structures thereupon are combined as a single property purchased or leased 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.</p> <p>A public company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>Where a public company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances</p>	<p><u>Article 15</u> The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> 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. <p>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.</p> <p>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.</p> <p>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:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property through inheritance or as a gift. 	<p>According to the governing law and regulations</p>

<p>exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:</p> <p>1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.</p> <p>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</p> <p>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.</p> <p><u>4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>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.</p> <p>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.</p>	
<p><u>Article 17</u> When the results of a public 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 <u>18</u>. 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:</p> <p>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:</p> <p>(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</p>	<p><u>Article 16</u> 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 <u>17</u>. 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:</p> <p>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:</p> <p>(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</p>	<p>According to the governing law and regulations</p>

<p>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.</p> <p>(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 sale or leasing practices.</p> <p>2. Where a public company acquiring real property, or obtaining real property <u>right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving 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; transactions involving 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 or obtainment of the <u>right-of-use assets thereof</u>.</p>	<p>most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(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.</p> <p><u>(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.</u></p> <p>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.</p>	
<p><u>Article 18</u> Where a public company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference</p>	<p><u>Article 17</u> 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> <p>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</p>	<p>According to the governing law and regulations</p>

<p>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 Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>2. The Audit Committee shall comply with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.</p> <p>3. Actions taken pursuant to the preceding two subparagraphs 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> <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 or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, 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 a public company obtains real property <u>or right-of-use assets thereof</u> 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 arms length transaction.</p>	<p>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.</p> <p>2. The Audit Committee shall comply with Article 218 of the Company Act.</p> <p>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> <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>Engaging in Derivatives Trading</p>	
<p><u>Article 19</u> The Companies 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 strategies: Shall include the types of derivatives</p>	<p><u>Article 18</u> 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</p>	<p>According to the governing law and regulations</p>

<p>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.</p> <ol style="list-style-type: none"> 2. Risk management measures. 3. Internal audit system. 4. Regular evaluation methods and the handling of irregular circumstances. 	<p>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.</p> <ol style="list-style-type: none"> 2. Risk management measures. 3. Internal audit system. 4. Regular evaluation methods and the handling of irregular circumstances. 	
<p><u>Article 20</u> The Company engaging in derivatives trading shall adopt the following risk management measures:</p> <ol style="list-style-type: none"> 1. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks. 2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement. 3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making. 4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors. 5. Other important risk management measures. 	<p><u>Article 19</u> The company engaging in derivatives trading shall adopt the following risk management measures:</p> <ol style="list-style-type: none"> 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. 	<p>According to the governing law and regulations</p>
<p><u>Article 21</u> Where a public company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <ol style="list-style-type: none"> 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. <p>Senior management personnel</p>	<p><u>Article 20</u> Where the Company engaging in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <ol style="list-style-type: none"> 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. <p>Senior management personnel</p>	<p>According to the governing law and regulations</p>

<p>authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <p>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.</p> <p>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 a company has independent directors, an independent director shall be present at the meeting and express an opinion. The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>	<p>authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <p>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.</p> <p>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.</p>	
<p><u>Article 22</u> 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 <u>Article 20</u> and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of the preceding article 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 Audit Committee shall be notified in writing.</p>	<p><u>Article 21</u> 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 <u>Article 19</u> and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of <u>Article 20</u> 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 Audit Committee shall be notified in writing.</p>	<p>According to the governing law and regulations</p>
<p><u>Article 23</u> 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</p>	<p><u>Article 22</u> 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</p>	<p>According to the governing law and</p>

<p>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. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p>	<p>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. 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.</p>	<p>regulations</p>
<p><u>Article 24</u> 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 paragraph 1 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 a 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.</p>	<p><u>Article 23</u> 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.</p>	<p>According to the governing law and regulations</p>
<p><u>Article 25</u> A company participating in a merger, demerger, or acquisition shall convene</p>	<p><u>Article 24</u> A company participating in a merger, demerger, or acquisition shall convene a</p>	<p>According to the</p>

<p>a board of directors 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.</p> <p>A company participating in a transfer of shares shall call a board of directors 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.</p> <p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 counting inclusively 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</p>	<p>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.</p> <p>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.</p> <p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Where any of the companies</p>	<p>governing law and regulations</p>
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<p>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 the preceding two paragraphs.</p>	<p>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 <u>paragraphs 3 and 4.</u></p>	
<p><u>Article 26</u> 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.</p>	<p><u>Article 25</u> 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.</p>	<p>According to the governing law and regulations</p>
<p><u>Article 27</u> The Companies 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, that affects the company's financial operations. 3. An event, such as a major disaster or major change in technology, that 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</p>	<p><u>Article 26</u> 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,</p>	<p>According to the governing law and regulations</p>

<p>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.</p>	<p>acquisition, or transfer of shares. 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</p>	
<p><u>Article 28</u> The contract for participation by a public 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.</p>	<p><u>Article 27</u> 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.</p>	<p>According to the governing law and regulations</p>
<p><u>Article 29</u> 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</p>	<p><u>Article 28</u> 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</p>	<p>According to the governing law and regulations</p>

<p>participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p>	<p>exempted from calling another shareholders meeting to resolve on the matter anew.</p>	
<p><u>Article 30</u> Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article <u>25</u>, Article <u>26</u>, and the preceding article.</p>	<p><u>Article 29</u> 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 <u>24</u>, Article <u>25</u>, and Article <u>28</u>.</p>	<p>According to the governing law and regulations</p>
<p><u>Article 31</u> Under any of the following circumstances, a public 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 counting inclusively from the date of occurrence of the event: 1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic 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 equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: (1).For a public company whose</p>	<p><u>Article 30</u> 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, regardless of the amount, 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 repurchase 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 the transaction amount is more than NT\$500 million. (2) The paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion.</p>	<p>According to the governing law and regulations</p>

<p>paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2).For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</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 furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6.Where an asset transaction other than any of those referred to in the preceding six 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 domestic government bonds.</p> <p>(2).Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3). Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual</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) 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.</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 of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.</p> <p>1. The amount of any individual transaction.</p> <p>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.</p> <p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same</p>	
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<p>transaction.</p> <p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</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 Regulations need not be counted toward the transaction amount.</p> <p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company 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 a public 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 within two days counting inclusively from the date of knowing of such error or omission.</p> <p>A public 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, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>development project within the preceding year.</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 within 2 days commencing immediately from the date of knowing of the error or omission.</p> <p>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.</p>	
<p><u>Article 32</u></p> <p>Where any of the following circumstances occurs with respect to a transaction that a public company has already publicly announced and</p>	<p><u>Article 31</u></p> <p>Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and</p>	

<p>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 counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 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. 	<p>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:</p> <ol style="list-style-type: none"> 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. 	
<p>Article 33 Subsidiaries of the Company shall comply with the following regulations:</p> <ol style="list-style-type: none"> 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 public company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, <u>relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 31, paragraph 1.</u> 	<p>Article 32 Subsidiaries of the Company shall comply with the following regulations:</p> <ol style="list-style-type: none"> 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 <u>transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</u> 	
<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</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,</p>	<p>Update the date of the amendment</p>

18, 2014. The 9th amendment was made on May 26, 2017. <u>The 10th amendment was made on May 28, 2019.</u>	2014. The 9th amendment was made on May 26, 2017.	
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Advantech Co., Ltd.**Procedures For Financial Derivatives Transactions**

After amendment	Before amendment	Remark
<p>Article 4 Risk Management Measures</p> <p>1. Credit risk management: Trading partners shall be limited to banks having business dealings with the Company.</p> <p>2. Market risk management: Markets shall be limited to publicly traded foreign exchange markets and exclude futures markets.</p> <p>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.</p> <p>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.</p> <p>5. Operational risk management:</p> <p>A. The Company shall comply with its authorized amount and operating procedures, and have them reviewed in the internal audit to avoid operational risks.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Article 4 Risk Management Measures</p> <p>1. Credit risk management: Trading partners shall be limited to banks having business dealings with the Company.</p> <p>2. Market risk management: Markets shall be limited to publicly traded foreign exchange markets and exclude futures markets.</p> <p>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.</p> <p>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.</p> <p>5. Operational risk management:</p> <p>A. The Company shall comply with its authorized amount and operating procedures, and have them reviewed in the internal audit to avoid operational risks.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
<p>Article 6 Method of Periodic Evaluation and Abnormality</p>	<p>Article 6 Method of Periodic Evaluation and Abnormality</p>	

<p>Handling</p> <p>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.</p> <p>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.</p>	<p>Handling</p> <p>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.</p> <p>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.</p>	
<p>Article 7</p> <p>Internal Audit System</p> <p>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.</p> <p>The 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, <u>the Audit Committee</u> shall be notified in writing.</p>	<p>Article 7</p> <p>Internal Audit System</p> <p>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.</p>	
<p>Article 9</p> <p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 18, 1998.</p> <p>The 2nd amendment was made on May 2, 2003.</p> <p>The 3rd amendment was made on May 24, 2005.</p> <p>The 4th amendment was made on May 18, 2010.</p> <p>The 5th amendment was made on June 18, 2014.</p> <p>The 6th amendment was made on May 26, 2017.</p> <p><u>The 7th amendment was made on May 28, 2019.</u></p>	<p>Article 9</p> <p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 18, 1998.</p> <p>The 2nd amendment was made on May 2, 2003.</p> <p>The 3rd amendment was made on May 24, 2005.</p> <p>The 4th amendment was made on May 18, 2010.</p> <p>The 5th amendment was made on June 18, 2014.</p> <p>The 6th amendment was made on May 26, 2017.</p>	<p>Update the date of the amendment</p>