

Advantech Co.,Ltd.  
2020 Annual Shareholders' Meeting  
Meeting Minutes  
(Translation)

Time : 09:00 AM, May 28,2020

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

Total outstanding ACL shares : 700,870,010 shares

Total shares represented by shareholders present in person or by proxy : 669,427,115 shares

Percentage of outstanding share held by shareholders present in person or by proxy : 95.51%

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

Attendees: Benson Liu(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 2019 Business Report (see appendix I)
2. The Audit Committee's Review Report on the 2019 Financial Statements (see appendix II)
3. Status reports of the Cash dividends for Distribution of 2019 Profits
4. Report of Employees' compensation and Directors' compensation of 2019.
5. The Status of Endorsement and Guarantee in 2019 (see meeting agenda)

II. Proposals

1. Adoption of the 2019 Business Report and Financial Statements  
(Proposed by the board of directors )

Explanation:

- (1) The 2019 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, Jr- Shian Ke and M.J. Chiou , 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:**

669,427,115 shares were represented at the time of voting; 637,464,89 votes were in favor of the proposal (including votes casted electronically: 387,306,566); 3,122 votes were cast against the proposal (including votes casted electronically: 3,122); 0 votes were invalid; 31,959,098 votes were either invalidly cast or abstained (including votes casted electronically: 31,959,098).

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

2. Adoption of the Proposal for Distribution of 2019 Earnings.

(Proposed by the board of directors )

**Explanation:**

- (1) Please refer to the 2019 prorofit distribution table in Attachment IV.
- (2) The net income of the company amounted to NT\$7,351,220,010 for 2019. Added the beginning un appropriated earnings of NT\$4,206,192,085 and deducted effect of retrospective application and retrospective restatement NT\$4,665,011,remeasurements of the defined benefit recognized in retained earnings NT\$13,257,051, 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\$24,369,057, the legal reserve of NT\$735,122,001 and special reserve of NT\$47,229,494, the distributable earnings for 2019 amounted to NT\$10,732,769,481 resulted to be distributed as follows:
  - (3) The amounts of NT\$5,463,198,078 and NT\$700,410,010 out of the 2019 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively.

There were 700,410,010 shares of common stock outstanding on December 31, 2019 that are entitled to the distribution of shareholder's dividend at NT\$8.8 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.

**Voting Results:**

669,427,115 shares were represented at the time of voting; 637,874,514 votes were in favor of the proposal (including votes casted electronically: 387,716,185); 3,122 votes were cast against the proposal (including votes casted electronically: 3,122);

0 votes were invalid; 31,549,479 votes were either invalidly cast or abstained (including votes casted electronically: 31,549,479).

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

### III. Discussion and Election Items

#### 1. Amendment to the “ Articles of Incorporation ”

(Proposed by the board of directors)

Explanation:

In order to comply with the laws 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.

Voting Results:

669,427,115 shares were represented at the time of voting; 628,790,610 votes were in favor of the proposal (including votes casted electronically: 378,632,281); 4,226,319 votes were cast against the proposal (including votes casted electronically: 4,226,319); 0 votes were invalid; 36,410,186 votes were either invalidly cast or abstained (including votes casted electronically: 36,410,186).

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

#### 2. Issuance of new shares from capital increase by earnings.

(Proposed by the board of directors)

Explanation:

(1) In response to the business development, the Company plans to issue 70,041,001 shares from capital increase by the 2019 dividends distributed to shareholders at the amount of NT\$700,410,010, with the par value per share of NT\$10. Based on shareholders and their shareholding ratio listed in the shareholders' roster on the target date for distribution of dividends, 100 shares per 1000 shares will be distributed free of charge; the fractional share that is less than 1 share shall be put together by the stock agency appointed by the Company within 5 days after the date on which share transfer registration is suspended. The fractional share that is insufficient to make up the balance or put together by the deadline will be subscribed by a person designated by the chairman of the Board.

(2) When there is a change in the distribution rate due to change in the number of shares circulated outside, the shareholders' meeting shall authorize the Board of Directors to solely handle such a change.

(3) Rights and obligations arising from the issuance of new shares are same as

those arising from the issuance of original shares.

- (4) After the issuance of new shares from capital increase is resolved by the annual shareholders' meeting and reported to the competent authority, the Board of Directors will be authorized to set the ex-right date and announce it separately.

**Voting Results:**

669,427,115 shares were represented at the time of voting; 633,015,593 votes were in favor of the proposal (including votes casted electronically: 382,857,264); 3,336 votes were cast against the proposal (including votes casted electronically: 3,336); 0 votes were invalid; 36,408,186 votes were either invalidly cast or abstained (including votes casted electronically: 36,408,186).

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

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

(Proposed by the board of directors)

**Explanation:**

- (1) The company intends to have employee stock warrant issued at a price below market price in accordance with Article 28.3 of the Securities Exchange Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" published by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.
- (2) According to Article 56-1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers:" The Company will issue 7,500 units of employee stock warrants at a price below market price, details referring to Attachment VI.
- (a) Total number of employee stock warrants issued, the number of shares to be subscribed for each unit of stock warrant, and the total number of stock shares to be issued for the stock option exercised:  
A total of 7,500 units of employee stock warrants are issued currently and each unit of stock warrant are entitled to the subscription of 1,000 stock shares. A total of 7,500,000 common stock shares are issued for the stock option exercised.
- (b) The reference and reasonability of stock price:  
Stock price is NT\$200 per share.
- (c) Stock subscriber's qualification and the number of subscriber shares:  
It is limited to the full-time employees in particular level or position or who have made a special contribution to the Company and the full-time employees of the domestic and overseas subsidiaries that are with over 50% (inclusive) shareholding held by the Company directly or indirectly. The stock subscription qualification base date is decided by the chairman. The employees who qualified for stock subscription and the number of stock shares to be subscribed by each qualified employee are determined according to their job performance, overall contributions, or special achievements with the approval of the chairman and the consent of the board of directors. According to Article 56-1 Paragraph 1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the stock warrant issued by the company and subscribe by one single subscriber accumulatively plus the new shares with limited rights accumulated by the subscriber together may not exceed 0.3% of the total outstanding stock shares; moreover, together with the stock warrant issued by the issuer in accordance with Article 56 Paragraph 1 and subscribe by one single subscriber accumulatively may not exceed 1% of the total outstanding stock shares.

(d) The reasons for issuing current employee stock warrant:

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

(f) The impacts on shareholders' equity:

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

Input the common stock closing price the actuarial assumptions and estimates in the stock option evaluation model for calculations. The annual amortized expense amount in 2020~2025: NT\$135,979,167, NT\$326,350,000, NT\$250,100,000, NT\$117,933,333, NT\$63,287,500, and NT\$21,350,000, respectively, for a grand total of NT\$915,000,000. According to the stock closing price the actuarial assumptions and estimates, the annual earnings per share dilution in 2020~2025: NT\$0.17, NT\$0.42, NT\$0.32, NT\$0.15, NT\$0.08, and NT\$0.03, respectively.

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

Year	2020	2021	2022	2023	2024	2025	Total
The annual amortized expense amount (NT\$)	135,979,167	326,350,000	250,100,000	117,933,333	63,287,500	21,350,000	915,000,000
The annual earnings per share dilution (NT\$)	0.17	0.42	0.32	0.15	0.08	0.03	1.17

**Voting Results:**

669,427,115 shares were represented at the time of voting; 551,868,279 votes were in favor of the proposal (including votes casted electronically: 301,709,950); 79,088,943 votes were cast against the proposal (including votes casted electronically: 79,088,943); 0 votes were invalid; 38,469,893 votes were either invalidly cast or abstained (including votes casted electronically: 38,469,893).

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

4. Amendment to the "Procedures for Lending Funds to Other Parties".

(Proposed by the board of directors)

Explanation:

(1) The proposal is handled according to Financial Supervisory Commission Order Gin-Guan-Zheng-Fa-Zi No. 1080304826 dated March 07, 2019.

(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 Lending Funds to Other Parties . Please refer to Attachment VII.

Voting Results:

669,427,115 shares were represented at the time of voting; 633,013,566 votes were in favor of the proposal (including votes casted electronically: 382,855,237); 4,372 votes were cast against the proposal (including votes castedelectronically: 4,372); 0 votes wereinvalid; 36,409,177 votes were either invalidly cast or abstained (including votes casted electronically: 36,409,177).

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

5. Amendment to the “Procedures For Endorsement & Guarantee ”.

(Proposed by the board of directors)

Explanation:

(1)The proposal is handled according to Financial Supervisory Commission Order Gin-Guan-Zheng-Fa-Zi No. 1080304826 dated March 07, 2019.

(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 VIII.

Voting Results:

669,427,115 shares were represented at the time of voting; 633,013,782 votes were in favor of the proposal (including votes casted electronically: 382,855,453); 4,157 votes were cast against the proposal (including votes castedelectronically: 4,157); 0 votes wereinvalid; 36,409,176 votes were either invalidly cast or abstained(including votes casted electronically: 36,409,176).

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

6. Election of directors . Please Vote.

Explanation:

(1) As the term of the Company’s directors and supervisors is about to expire, the reelection of directors and supervisors shall be held in the shareholders’ meeting this year according to Article 13 of the Company’s Articles of Incorporation.

(2) The Company plans to set up 7~9 directors (including 3 independent directors) according to Article 13 of the Company’s Articles of Incorporation. In the 13th reelection, 7 directors are planned to be set up (including 3 independent directors) with a term of 3 years and they may be eligible for reelection. The Company plans to establish the audit committee, which is composed of all independent directors, according to Article 13-6 of the Company’s Articles of Incorporation.

(3) According to Article 13 of the Company’s Articles of Incorporation, the candidate nomination system is adopted for the election of directors. After the Board of Directors reviews the qualifications of nominees based on the roster of candidates for directors and independent directors, qualified nominees are enrolled in the final roster of candidates for directors and independent directors and elected by the Board of Directors.

(4) The 3-year term of newly elected directors starts from May 28, 2020 and ends on May 27, 2023.

(5) According to Company's Article of Incorporation, the Company's disectors shall be elected from the nomination list. The qualification of the nominees has been reviewed by Board. Personal information of the nominees is as follows:

Category	Name	Education	Experience	Current position	Shares Held
Director	K.C. Liu	Department of Telecommunications Engineering, National Chiao Tung University	Former salesman of Instruments Dept. of Hewlett-Packard	Chairman	25,620,886
Director	K and M Investment Co., Ltd. Representative: Wesley.Liu	Johns Hopkins University GMBA	Advantech Applications Engineer IBM Consultant Advantech Channel Sales Manager of Service IoT, Great China region.	Advantech Manager of Service IoT retail product group 、 Advantech Business Development Manager of Service IoT 、 Advantech Sales Manager of Service IoT, AIntercon region. 、 Manager of Advantech Intelligent Service	83,073,163
Director	AIDC Investment Corp. Representative: Donald Chang	Bachelor Chemical Engineering, Chinese Culture University	President, 3M China Region 、 Vice President, 3M Southeast Asia Region 、 Managing Director, 3M Southeast Asia Region & 3M Singapore	Independent Director of Chung Hwapulp Corp.	82,097,182
Director	Advantech Foundation Representative :Chaney Ho	Tatung Institute of Technology, Taiwan	President of Le Wel Co., Ltd.	Managing Director of Advantech Co., Ltd.	20,288,715
Independent Director	Jeff Chen	EMBA , Northwestern University	Stanley Black & Decker Inc. VP & President of Asia 、 Stanley Works HQ, VP Global Operations 、 Stanley Works Asia, President Asia Operations	Independent Director of Advantech Co., Ltd.	0
Independent Director	Benson Liu	Master, International Business Administration, University of Northrop, USA	Chairman and President of Bristol-Myers Squibb (Taiwan) Ltd.	Independent Director, Global Unichip Corp . 、 Vanguard International Semiconductor Co. Director, Maywufa Company Ltd. Representative Director 、 Chairman, Taiwan Corporate Governance Association.	0
Independent Director	Chan-Jane Lin	Ph.D in Accounting, University of Maryland	Fubon Securities Co., Ltd. - Independent Director 、 Taiwan Financial Holding Co., Ltd. - Supervisor 、 College of Management, National Taiwan University - Acting President Department of	Department of Accounting, National Taiwan University - Professor 、 Fubon Life Insurance Co., Ltd.- Independent Director 、 FocalTech Systems Co., Ltd.-Independent Director 、 Supervisors of Securities and Futures Investors Protection Center	0

Voting Results:

Declared elected by the Chairman of the list is as follows:

Title	Shareholders' NO	Name	Elected voting number
Director	1	K.C. Liu	683,841,890 votes
Director	163	Advantech Foundation Representative :Chaney Ho	601,650,213 votes
Director	39	K and M Investment Co., Ltd. Representative: Wesley.Liu	598,482,067 votes
Director	40	AIDC Investment Corp. Representative :Donald Chang	598,005,119 votes
Independent Director	B1006*****	Jeff Chen	611,437,132 votes
Independent Director	P1002*****	Benson Liu	594,272,171 votes
Independent Director	R2031*****	Chan-Jane Lin	586,208,450 votes

7. Exemption of the limitation of non-competition on the directors of the Company.  
(Please proceed to discuss.)

Explanation:

- (1) According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) To take good advantage of the specialties and experience of the Company's directors, the release of the prohibition on new directors and their representatives, elected in the 2020 annual shareholders' meeting, from participation in competitive business is proposed in the shareholders' meeting for approval according to laws.

Newly appointed directors serve as other positions in other companies are as below:

Title	Name	Concurrent positions in other companies
Director	K.C. Liu	Chairman : Advanixs Corp. 、 Beijing Yan Hua Xing Ye Electronic Science & Technology Co. Ltd. 、 Advantech Technology (China) Company Ltd. 、 Shanghai Advantech Intelligent Services Co., Ltd 、 Xi'an Advantech Software Ltd 、 Advantech Intelligent Service. 、 AdvanPOS Technology Co., Ltd. 、 Aimobile Co., Ltd. 、 Yun Yan, Wu-Lian Co., Ltd 、 Advantech Innovative Design Co., Ltd. 、 Advantech Service-IoT ( Shanghai ) Co. Ltd. 、 Advantech Japan Co.,Ltd. Director : LNC Technology Co., Ltd. 、 LNC DONG GUAN CO., LTD. 、 Advantech Europe B.V. (AEU) 、 Advantech Service-IoT GmbH (A-SIoT) 、 Advantech Technology Co., Ltd. (ATC) 、 HK Advantech Technology Co., Ltd. (ATC (HK)) 、 Advantech Automation Corp. (BVI)(AAC(BVI)) 、 Advantech Automation Corp.(HK) Limited. (AAC (HK)) 、 Advantech Corp. (ANA) 、 Advantech Europe Holding B.V. (AEUH) 、 Advantech KR Co.,Ltd (AKR).
Director	K and M Investment Co., Ltd. Representative: Wesley.Liu	Advantech Service-IoT ( Shanghai ) Co. Ltd. 、 Advantech Co. Singapore Pte Ltd.(ASG) 、 Advantech Australia Pty Ltd. (AAU) 、 Advantech Co.Malaysia Sdn.Bhd (AMY) 、 Advantech Corporation (Thailand) Co.,Ltd.(ATH) 、 Advantech International PT.(AID) 、 Advantech Industrial Computing India Private Limited.(AIN) 、 Advantech Industrial Computing India Private Limited.(AIN) 、 Advantech Electronics,S.De R.L.De C. (AMX) 、 Advantech IOT Israel Ltd.(AIL) 、 Winmate Inc. 、 Mildex Optical Inc.
Director	AIDC Investment	Independent Director of Chung Hwapulp Corp.



Title	Name	Concurrent positions in other companies
	Corp. Representative:Donald Chang	
Director	Advantech Foundation Representative :Chaney Ho	Advantech Japan Co.,Ltd.(AJP) 、 Beijing Yan Hua Xing Ye Electronic Science & Technology Co. Ltd.
Independent Director	Benson Liu	Independent Director of Global Unichip Corp. 、 Vanguard International Semiconductor Co. 、 Maywufa Company Ltd. Representative Director.
Independent Director	Chan-Jane Lin	Independent Director of FocalTech Systems Co., Ltd.

669,427,115 shares were represented at the time of voting; 619,453,778 votes were in favor of the proposal (including votes casted electronically: 369, 295, 449); 4,996 votes were cast against the proposal (including votes castedelectronically: 4,996); 0 votes wereinvalid; 49,968,341 votes were either invalidly cast or abstained(including votes casted electronically: 49,968,341).

**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.

## **ATTACHMENTS**

## II. Attachments

<Attachment I>

### Business Report

Dear shareholders:

#### 2019 Summary of Results

In 2019, Advantech reported consolidated revenues of NT\$ 54.1 billion, an increase of 11.11 percent over the NT\$48.7 billion of 2018. Net income was NT\$7.35 billion and basic earnings per share were NT\$10.51. Gross profit margin was 38.97percent, compared with 38.30 percent in 2018, and operating profit margin was 17.05 percent compared with 15.31 percent in 2018. Net profit margin was 13.58percent, from the previous year's 12.91percent.

By business segment, the revenue growth of Embedded IoT Group, Industrial IoT Group and Service IoT Group were 7%, 0% and 1% YoY respectively in 2019. Cloud IoT Group (aka Network & Communication Group) reported 20% YoY revenues growth, thanks for the rising demand from software defined network (SDN). In addition, Advantech consolidated 80% stake of Advantech Technologies Japan (ATJ) since February. Totally ATJ contributed 4% Advantech revenues in 2019. In US dollar term, Advantech achieved US\$1.755 billion revenues in 2019, up 8.5% YoY from US\$1.6 billion in 2018.

In 1H of 2020, our biggest operating risk comes from Kushan production shut-down caused by disease prevention of COVID-19, which leads a headwind to the revenue growth. However, we already enhanced our overall operating mechanism in past 3 years (from year 2017 to 2019) and believe we may maintain a stable profit margin in the mid-term.

#### Our Development for Industrial IoT

Looking forward, we maintain a positive view toward the overall industrial IoT sectors. Thanks to the technology development, including edge computing, AIoT, cloud computing, digital transformation, 5G and etc, a lot of new applications will trigger new demand and facilities upgrade. For product development, firstly, Advantech already built a solid foundation at the embedded board/ system and industrial PC area (the Industrial IoT Phase I business). Now we will enhance the hardware offerings to edge computing level. Secondly, for Industrial IoT Phase II business, driven from industrial software platform and industrial specialized APPs, Advantech believes the real business development will rely on cooperation with external partners to deploy highly customized services, including industrial APP and Edge SRP (solution ready package), to fit into vertical customers' end demand in their field sides. Starting from 2020, Advantech schedules a series of partner summits (online and on-site) to speed up the penetration of Advantech's WISE-PaaS software platform and corresponding hardware services. Finally, we view the demand for Industrial IoT Phase III opportunity will be driven from domain-focused cloud services providers (DFSI), but this area is far beyond Advantech's core competence. Therefore, Advantech will support and enable our partners in this area and participate in the growth through investments.

#### Our Development for Regional Expansion

Since the establishment in 1983, Advantech already experienced 3 stage of globalization. Now we will kick off the fourth stage of globalization (year 2020~2030). Advantech initiates the concept of Globally Integrated Regional Competence (GIRC). We intend to offer the highly tailored services with domestic features to enhance our competitiveness, including R&D, applications and M&A. In addition to strengthen our engagement with current customers, Advantech will expand our channel coverage and enter into new application markets. At the same time, we will increase our connections with local talents and societies.

For emerging market regions (including Southeast Asia, South Asia, Central Asia, the Middle East, Africa, Latin America, and Russia), Advantech Taiwan sales office will be the nerve center to increase the connections between broad base sales offices (the front end) and the product division (back ends).

### **Strengthening Corporate Governance and Business Leadership**

Advantech markets “Advantech” as an industrial brand since the firm start-up and now Advantech has operations in 27 countries around the world. In 2019, Advantech was awarded as the top 5 Taiwan International Brand with the brand value of US\$556mn. Since 2017, Advantech transformed the Board Organization to Independent Director System and was rated as the top 5% good governance listed companies in Taiwan in 2016, 2017 and 2018. We intend to leverage our core competence, AIoT, to realize our goal in ESG. To cooperate with colleges and Nonprofit Organizations, we expect to see a safer, more environmental, and more convenient society. We always pursue 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 2019 Financial Statements have been agreed by Audit Committee members of the Company and approved by the 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 2019 Business Report and proposal for allocation of profits. The 2019 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.

**Advantech Co., Ltd.**

Chairman of the Audit Committee : Benson Liu

March 06, 2020

## 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, 2019 and 2018, 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 (collectively referred to as the "consolidated financial statements").

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, 2019 and 2018, 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, 2019. 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.

The key audit matters identified in the consolidated financial statements for the year ended December 31, 2019 are as follows:

#### Assessment of Provisions for Inventory Write-downs

Inventories as of December 31, 2019 amounted to NT\$7,782,824 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 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 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. 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.

## **Other Matter**

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018 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, 2019 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 6, 2020

#### 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, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,003,936	13	\$ 6,633,161	15
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	3,749,119	8	2,098,552	5
Financial assets at amortized cost - current (Notes 4, 9 and 32)	316,994	1	157,426	1
Notes receivable (Notes 4 and 10)	1,546,340	3	1,461,404	3
Trade receivables (Notes 4 and 10)	7,265,106	15	6,870,878	16
Trade receivables from related parties (Note 33)	20,174	-	18,969	-
Other receivables (Note 33)	101,407	-	45,956	-
Inventories (Notes 4, 5 and 11)	7,782,824	17	7,557,820	17
Other current assets (Notes 5, 18, 20 and 33)	688,167	1	522,407	1
Total current assets	27,474,067	58	25,366,573	58
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	1,639,321	4	1,300,267	3
Investments accounted for using the equity method (Notes 4 and 13)	3,009,860	6	2,431,522	6
Property, plant and equipment (Notes 4, 14 and 34)	9,732,490	21	9,782,781	22
Right-of-use assets (Notes 3, 4 and 15)	723,106	2	-	-
Goodwill (Notes 4, 5 and 16)	2,519,514	5	2,836,466	6
Other intangible assets (Notes 4, 5 and 17)	980,061	2	1,102,323	2
Deferred tax assets (Notes 4 and 24)	690,212	1	501,260	1
Prepayments for business facilities	389,221	1	273,386	1
Long-term prepayments for leases (Note 18)	-	-	297,665	1
Other non-current assets	58,227	-	47,718	-
Total non-current assets	19,742,012	42	18,573,388	42
<b>TOTAL</b>	<b>\$ 47,216,079</b>	<b>100</b>	<b>\$ 43,939,961</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 250,678	1	\$ 87,581	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	521	-	6,139	-
Notes payable and trade payables (Notes 4 and 33)	4,799,196	10	5,810,904	13
Other payables (Notes 20 and 33)	3,732,224	8	3,662,199	8
Current tax liabilities (Notes 4 and 24)	1,522,874	3	1,611,886	4
Short-term warranty provisions	208,611	1	196,782	1
Lease liabilities - current (Notes 3, 4 and 15)	199,493	-	-	-
Current portion of long-term borrowings (Notes 19 and 34)	7,957	-	9,626	-
Other current liabilities	1,022,904	2	761,473	2
Total current liabilities	11,744,458	25	12,146,590	28
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 19 and 34)	36,132	-	45,784	-
Deferred tax liabilities (Notes 4 and 24)	1,942,189	4	1,798,914	4
Lease liabilities - non-current (Notes 3, 4 and 15)	242,263	1	-	-
Net defined benefit liabilities (Notes 4 and 21)	384,914	1	255,545	1
Other non-current liabilities	134,663	-	149,653	-
Total non-current liabilities	2,740,161	6	2,249,896	5
Total liabilities	14,484,619	31	14,396,486	33
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>				
Share capital				
Ordinary shares	6,999,230	15	6,982,275	16
Advance receipts for share capital	4,870	-	4,680	-
Total share capital	7,004,100	15	6,986,955	16
Capital surplus	7,478,568	16	7,073,348	16
Retained earnings				
Legal reserve	6,285,079	13	5,655,613	13
Special reserve	798,763	2	369,655	1
Unappropriated earnings	11,515,121	24	10,011,231	23
Total retained earnings	18,598,963	39	16,036,499	37
Other equity				
Exchange differences on translating the financial statements of foreign operations	(878,261)	(2)	(475,245)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	30,970	-	(324,254)	(1)
Other equity - unearned stock-based employee compensation	1,298	-	736	-
Total other equity	(845,993)	(2)	(798,763)	(2)
Total equity attributable to owners of the Company	32,235,638	68	29,298,039	67
<b>NON-CONTROLLING INTERESTS</b>	<b>495,822</b>	<b>1</b>	<b>245,436</b>	<b>-</b>
Total equity	32,731,460	69	29,543,475	67
<b>TOTAL</b>	<b>\$ 47,216,079</b>	<b>100</b>	<b>\$ 43,939,961</b>	<b>100</b>

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 33)				
Sales	\$ 52,920,615	98	\$ 47,495,030	97
Other operating revenue	<u>1,224,047</u>	<u>2</u>	<u>1,231,488</u>	<u>3</u>
Total operating revenue	54,144,662	100	48,726,518	100
OPERATING COSTS (Notes 11, 21, 23 and 33)	<u>33,045,300</u>	<u>61</u>	<u>30,063,070</u>	<u>62</u>
GROSS PROFIT	<u>21,099,362</u>	<u>39</u>	<u>18,663,448</u>	<u>38</u>
OPERATING EXPENSES (Notes 21, 23 and 33)				
Selling and marketing expenses	5,088,059	9	4,781,843	10
General and administrative expenses	2,542,918	5	2,405,235	5
Research and development expenses	4,223,422	8	3,997,313	8
Expected credit loss	<u>11,461</u>	<u>-</u>	<u>19,432</u>	<u>-</u>
Total operating expenses	<u>11,865,860</u>	<u>22</u>	<u>11,203,823</u>	<u>23</u>
OPERATING PROFIT	<u>9,233,502</u>	<u>17</u>	<u>7,459,625</u>	<u>15</u>
NON-OPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 13)	122,820	-	95,635	-
Interest income	45,498	-	38,789	-
Gains on disposal of property, plant and equipment	38,558	-	80,439	-
Gains (losses) on disposal of investments (Note 29)	(20,934)	-	8,012	-
Foreign exchange gains (losses), net (Notes 23 and 35)	(94,600)	-	16,956	-
Impairment losses (Notes 16 and 17)	(386,153)	(1)	-	-
Gains on financial instruments at fair value through profit or loss (Note 7)	169,157	1	59,322	-
Dividend income	100,197	-	106,315	-
Other income (Notes 27 and 33)	156,188	-	173,002	1
Finance costs (Note 23)	(25,041)	-	(4,685)	-
Losses on financial instruments at fair value through profit or loss (Note 7)	(25,305)	-	(39,710)	-
Other losses	<u>(6,007)</u>	<u>-</u>	<u>(6,985)</u>	<u>-</u>
Total non-operating income	<u>74,378</u>	<u>-</u>	<u>527,090</u>	<u>1</u>

(Continued)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 9,307,880	17	\$ 7,986,715	16
INCOME TAX EXPENSE (Note 24)	<u>(1,915,025)</u>	<u>(4)</u>	<u>(1,677,741)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>7,392,855</u>	<u>13</u>	<u>6,308,974</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 13, 21, 22 and 24):				
Remeasurement of defined benefit plans	(15,057)	-	(20,858)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	21,934	-	(14,942)	-
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	307,604	1	(445,333)	(1)
Income tax relating to items that will not be reclassified	3,012	-	6,316	-
Items that may be reclassified subsequently to profit or loss (Notes 13, 22 and 24):				
Exchange differences on translating the financial statements of foreign operations	(489,250)	(1)	(19,660)	-
Share of the other comprehensive losses of associates	(22,272)	-	(11,074)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>100,754</u>	<u>-</u>	<u>23,883</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(93,275)</u>	<u>-</u>	<u>(481,668)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,299,580</u>	<u>13</u>	<u>\$ 5,827,306</u>	<u>12</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,351,220	14	\$ 6,289,993	13
Non-controlling interests	<u>41,635</u>	<u>-</u>	<u>18,981</u>	<u>-</u>
	<u>\$ 7,392,855</u>	<u>14</u>	<u>\$ 6,308,974</u>	<u>13</u>

(Continued)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,265,801	13	\$ 5,803,295	12
Non-controlling interests	<u>33,779</u>	<u>-</u>	<u>24,011</u>	<u>-</u>
	<u>\$ 7,299,580</u>	<u>13</u>	<u>\$ 5,827,306</u>	<u>12</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
Basic	<u>\$ 10.51</u>		<u>\$ 9.01</u>	
Diluted	<u>\$ 10.37</u>		<u>\$ 8.92</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, 2019 AND 2018  
(in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Share Capital	Issued Capital (Notes 22 and 26) Advance Receipts for Ordinary Shares	Capital Surplus (Notes 22, 26 and 30)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets Through Other Comprehensive Income	Unearned Stock-based Employee Compensation	Total	Non-controlling Interests (Notes 22, 28 and 30)	Total Equity
BALANCE AT JANUARY 1, 2018	\$ 6,970,325	\$ 2,800	\$ 6,972,825	\$ 5,039,962	\$ 85,204	\$ 9,237,896	\$ 14,423,062	\$ (463,479)	\$ 93,824	\$ -	\$ 27,581,074	\$ 179,366	\$ 27,760,440
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(34,002)	(34,002)	(463,479)	(93,824)	-	(457,299)	-	(457,299)
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,800	6,972,825	5,039,962	85,204	9,203,894	14,389,060	(463,479)	-	-	27,546,502	179,366	27,725,868
Appropriation of the 2017 earnings	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-	-
Legal reserve	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-	-
Special reserve	-	-	-	(284,451)	284,451	-	-	-	-	-	(4,600,414)	-	(4,600,414)
Cash dividends on ordinary shares	-	-	-	-	-	(4,600,414)	(4,600,414)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(10,795)	(10,795)
Recognition of employee share options by the Company	11,950	2,180	14,130	-	-	-	-	-	-	-	118,376	-	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	-	-	-	-	-	-	-	-	-	736	3,396	-	3,396
Associates using the equity method	-	-	-	-	-	-	(14,716)	-	-	-	(14,716)	-	(14,716)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee share options distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	70,716	-	70,716
Employee share options distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(740)	-	(740)
Net profit for the year ended December 31, 2018	-	-	-	-	-	6,289,993	6,289,993	-	-	-	6,289,993	-	6,289,993
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	(11,766)	-	-	(486,698)	-	(486,698)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(15,687)	(15,687)	(11,766)	-	-	(498,464)	-	(498,464)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	6,274,306	6,274,306	(11,766)	-	-	5,803,295	24,011	5,827,306
BALANCE AT DECEMBER 31, 2018 AS RESTATED	6,982,275	4,880	6,987,155	5,655,613	369,655	10,011,231	16,036,499	(475,245)	(324,254)	736	29,298,039	245,436	29,543,475
Appropriation of the 2018 earnings	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-
Legal reserve	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-
Special reserve	-	-	-	(429,108)	429,108	-	-	-	-	-	(4,751,129)	-	(4,751,129)
Cash dividends on ordinary shares	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(14,039)	(14,039)
Recognition of employee share options by the Company	16,955	890	17,845	-	-	-	-	-	-	-	140,436	-	140,436
Compensation costs recognized for employee share options	-	-	-	-	-	-	-	-	-	-	295,427	-	295,427
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	-	-	-	-	-	-	562	(14,967)	-	(14,967)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	(13,238)	(13,238)	(403,016)	-	-	(85,419)	-	(85,419)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	1,657	200,693	202,350
Net profit for the year ended December 31, 2019	-	-	-	-	-	7,351,220	7,351,220	-	-	-	374	(47)	327
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	7,351,220	41,635	7,392,855
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(13,238)	(13,238)	(403,016)	-	562	(85,419)	(7,885)	(83,272)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	7,337,062	7,337,062	(403,016)	-	-	7,345,801	33,779	7,379,580
BALANCE AT DECEMBER 31, 2019	\$ 6,999,230	\$ 4,870	\$ 7,004,100	\$ 6,385,079	\$ 798,763	\$ 11,515,121	\$ 18,538,063	\$ (678,261)	\$ -	\$ 1,298	\$ 32,335,638	\$ 495,822	\$ 32,731,460

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018 (Audited after Restatement)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 9,307,880	\$ 7,986,715
Adjustments for:		
Depreciation expenses	807,586	567,706
Amortization expenses	210,206	191,482
Amortization expenses of prepayments for leases	-	8,844
Expected credit loss recognized	11,461	19,432
Net gain on financial assets or liabilities at fair value through profit or loss	(143,852)	(19,612)
Compensation costs of employee share options	295,427	341,624
Finance costs	25,041	4,685
Interest income	(45,498)	(38,789)
Dividend income	(100,197)	(106,315)
Share of profit of associates accounted for using the equity method	(122,820)	(95,635)
Net gain on disposal of property, plant and equipment	(38,558)	(80,439)
Impairment loss	386,153	-
Net loss on disposal of subsidiaries	21,619	-
Net gain on disposal of investments	(685)	(8,012)
Changes in operating assets and liabilities		
Financial assets held for trading	-	967,642
Financial assets at fair value through profit or loss	(1,603,672)	-
Notes receivable	(84,936)	(205,623)
Trade receivables	201,893	(278,370)
Trade receivables from related parties	(1,205)	(4,902)
Other receivables	(53,956)	29,342
Inventories	215,450	(1,310,932)
Other current assets	(171,757)	(76,001)
Notes payable and trade payables	(1,440,290)	510,358
Net defined benefit liabilities	(7,878)	(2,538)
Other payables	32,585	(3,165)
Short-term warranty provisions	11,829	15,807
Other current liabilities	244,579	84,143
Other non-current liabilities	(14,508)	2,940
Cash generated from operations	7,941,897	8,500,387
Interest received	45,498	38,789
Dividends received	100,197	106,315
Interest paid	(6,865)	(3,093)
Income tax paid	(1,885,258)	(1,198,350)
Net cash generated from operating activities	<u>6,195,469</u>	<u>7,444,048</u> (Continued)

## **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, 2019 and 2018, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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, 2019. 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.

The key audit matters identified in the financial statements for the year ended December 31, 2019 are as follows:

#### Assessment of Provision for Inventory Write-downs

Inventories as of December 31, 2019 amounted to NT\$3,617,906 thousand and accounted for 8% 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 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.
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 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 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 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, 2019 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 6, 2020

#### 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, 2019 AND 2018**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,816,875	4	\$ 2,509,958	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 27)	1,641,753	4	1,360,381	3
Notes receivable (Notes 4 and 9)	34,180	-	75,203	-
Trade receivables (Notes 4 and 9)	1,312,920	3	1,487,837	4
Trade receivables from related parties (Notes 4 and 28)	5,217,377	12	5,655,196	14
Other receivables (Note 28)	138,222	-	143,225	-
Other receivables from related parties (Note 28)	17,080	-	41,111	-
Inventories (Notes 4, 5 and 10)	3,617,906	9	3,630,979	9
Other current assets	58,377	-	42,717	-
Total current assets	<u>13,854,690</u>	<u>32</u>	<u>14,946,607</u>	<u>36</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 27)	1,224,385	3	1,028,441	3
Investments accounted for using the equity method (Notes 4 and 11)	20,446,797	48	17,746,024	43
Property, plant and equipment (Notes 4 and 12)	6,597,256	16	6,752,642	17
Right-of-use assets (Notes 3, 4 and 13)	11,833	-	-	-
Goodwill (Notes 4 and 14)	111,599	-	111,599	-
Other intangible assets (Note 4)	106,637	-	105,532	-
Deferred tax assets (Notes 4 and 19)	455,149	1	343,646	1
Prepayments for equipment	32,228	-	26,344	-
Other non-current assets	8,429	-	3,963	-
Total non-current assets	<u>28,994,313</u>	<u>68</u>	<u>26,118,191</u>	<u>64</u>
<b>TOTAL</b>	<u>\$ 42,849,003</u>	<u>100</u>	<u>\$ 41,064,798</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 27)	\$ 521	-	\$ 6,128	-
Notes payable and trade payables	2,232,859	5	3,963,470	10
Trade payables to related parties (Note 28)	2,087,930	5	1,695,599	4
Other payables (Note 15)	2,498,113	6	2,530,927	6
Other payables to related parties (Note 28)	63,884	-	54,583	-
Current tax liabilities (Notes 4 and 19)	1,329,258	3	1,413,134	4
Short-term warranty provisions (Note 4)	63,223	-	57,675	-
Lease liabilities - current (Notes 3, 4 and 13)	5,446	-	-	-
Other current liabilities	192,551	1	139,075	-
Total current liabilities	<u>8,473,785</u>	<u>20</u>	<u>9,860,591</u>	<u>24</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 19)	1,776,054	4	1,568,910	4
Lease liabilities - non-current (Notes 3, 4 and 13)	6,438	-	-	-
Net defined benefit liabilities (Notes 4 and 16)	266,582	1	255,273	1
Other non-current liabilities (Note 11)	90,506	-	81,985	-
Total non-current liabilities	<u>2,139,580</u>	<u>5</u>	<u>1,906,168</u>	<u>5</u>
Total liabilities	<u>10,613,365</u>	<u>25</u>	<u>11,766,759</u>	<u>29</u>
<b>EQUITY</b>				
Share capital				
Ordinary shares	6,999,230	16	6,982,275	17
Advance receipts for share capital	4,870	-	4,680	-
Total share capital	<u>7,004,100</u>	<u>16</u>	<u>6,986,955</u>	<u>17</u>
Capital surplus	<u>7,478,568</u>	<u>18</u>	<u>7,073,348</u>	<u>17</u>
Retained earnings				
Legal reserve	6,285,079	14	5,655,613	14
Special reserve	798,763	2	369,655	1
Unappropriated earnings	11,515,121	27	10,011,231	24
Total retained earnings	<u>18,598,963</u>	<u>43</u>	<u>16,036,499</u>	<u>39</u>
Other equity				
Exchange differences on translating the foreign financial statements of foreign operations	(878,261)	(2)	(475,245)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	30,970	-	(324,254)	(1)
Other equity - unearned employee compensation	1,298	-	736	-
Total other equity	<u>(845,993)</u>	<u>(2)</u>	<u>(798,763)</u>	<u>(2)</u>
Total equity	<u>32,235,638</u>	<u>75</u>	<u>29,298,039</u>	<u>71</u>
<b>TOTAL</b>	<u>\$ 42,849,003</u>	<u>100</u>	<u>\$ 41,064,798</u>	<u>100</u>

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

# ADVANTECH CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 28)				
Sales	\$ 36,246,058	99	\$ 34,928,854	99
Other operating revenue	<u>385,989</u>	<u>1</u>	<u>453,922</u>	<u>1</u>
Total operating revenue	36,632,047	100	35,382,776	100
OPERATING COSTS (Notes 10, 18 and 28)	<u>24,903,412</u>	<u>68</u>	<u>24,735,871</u>	<u>70</u>
GROSS PROFIT	11,728,635	32	10,646,905	30
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(695,422)	(2)	(665,475)	(2)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>665,475</u>	<u>2</u>	<u>446,326</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>11,698,688</u>	<u>32</u>	<u>10,427,756</u>	<u>30</u>
OPERATING EXPENSES (Notes 18 and 28)				
Selling and marketing expenses	669,164	2	661,227	2
General and administrative expenses	758,743	2	861,160	3
Research and development expenses	3,022,801	8	2,965,117	8
Expected credit loss	<u>6,624</u>	<u>-</u>	<u>6,815</u>	<u>-</u>
Total operating expenses	<u>4,457,332</u>	<u>12</u>	<u>4,494,319</u>	<u>13</u>
OPERATING PROFIT	<u>7,241,356</u>	<u>20</u>	<u>5,933,437</u>	<u>17</u>
NON-OPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,443,177	4	1,322,249	4
Interest income (Note 4)	762	-	234	-
Gains on disposal of property, plant and equipment (Note 4)	45,613	-	87,990	-
Foreign exchange losses, net (Notes 4, 18 and 29)	(75,031)	-	38,413	-
Gains on financial instruments at fair value through profit or loss (Note 4)	62,870	-	39,052	-
Dividend income (Note 4)	77,812	-	77,692	-
Other income (Notes 22 and 28)	109,275	-	168,230	1
Finance costs (Note 18)	(2,293)	-	(33)	-

(Continued)

# ADVANTECH CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
Losses on financial instruments at fair value through profit or loss (Note 4)	\$ (25,055)	-	\$ (37,756)	-
Other losses	<u>(69)</u>	<u>-</u>	<u>(32)</u>	<u>-</u>
Total non-operating income	<u>1,637,061</u>	<u>4</u>	<u>1,696,039</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	8,878,417	24	7,629,476	22
INCOME TAX EXPENSE (Notes 4 and 19)	<u>1,527,197</u>	<u>4</u>	<u>1,339,483</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>7,351,220</u>	<u>20</u>	<u>6,289,993</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	(14,764)	-	(21,155)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Note 17)	21,804	-	(14,802)	-
Unrealized loss on investment in equity instruments as at fair value through other comprehensive income (Note 17)	307,604	1	(445,333)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	2,953	-	6,358	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the foreign financial statements of foreign operations (Notes 4 and 17)	(481,498)	(1)	(24,575)	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 17)	(22,272)	-	(11,074)	-
Income tax relating to item that may be reclassified subsequently to profit (Notes 4, 17 and 19)	<u>100,754</u>	<u>-</u>	<u>23,883</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(85,419)</u>	<u>-</u>	<u>(486,698)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,265,801</u>	<u>20</u>	<u>\$ 5,803,295</u>	<u>16</u>

(Continued)

# ADVANTECH CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

---

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 10.51</u>		<u>\$ 9.01</u>	
Diluted	<u>\$ 10.37</u>		<u>\$ 8.92</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, 2019 AND 2018  
(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)					
	Share Capital	Advance Receipts for Ordinary Share	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of 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	Total Equity
BALANCE AT JANUARY 1, 2018	\$ 6,970,325	\$ 2,500	\$ 6,972,825	\$ 5,029,902	\$ 85,204	\$ 9,237,896	\$ 14,423,002	\$ (403,479)	\$ -	\$ 93,824	\$ -	\$ 27,581,074
Effect of retrospective application and retrospective restatement						(34,002)	(34,002)		123,254	(93,824)		(4,672)
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	6,972,825	5,029,902	85,204	9,203,894	14,389,000	(463,479)	123,254	-	-	27,576,302
Appropriation of the 2017 earnings	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-
Legal reserve	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-
Special reserve	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-
Cash dividends distributed on ordinary shares	-	-	-	-	(4,600,414)	(4,600,414)	(4,600,414)	-	-	-	-	(4,600,414)
Recognition of employees share options by the Company	11,950	2,180	14,130	-	-	-	-	-	-	-	-	118,376
Recognition of employees share options by the Company	-	-	-	-	-	-	-	-	-	-	-	341,624
Compensation costs recognized for employee share options	-	-	-	-	-	-	-	-	-	-	736	3,396
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	-	-	(14,716)	(14,716)	-	-	-	-	(14,716)
Associates using equity methods	-	-	-	-	-	-	-	-	-	-	-	-
Differences between consideration paid and carrying amounts of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	-	70,716
Recognized for employees by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(740)
Recognized for employees by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(740)
Net profit for the year ended December 31, 2018	-	-	-	-	-	6,289,493	6,289,493	-	-	-	-	6,289,493
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(15,682)	(15,682)	(11,766)	(459,245)	-	-	(486,028)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	6,273,811	6,273,811	(11,766)	(459,245)	-	-	5,803,325
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	(11,227)	(11,227)	-	11,227	-	-	-
BALANCE AT DECEMBER 31, 2018 AS RESTATED	6,982,275	4,680	6,986,955	5,655,613	369,655	10,011,231	16,036,499	(475,245)	(324,254)	-	736	29,298,039
Appropriation of the 2018 earnings	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-
Legal reserve	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-
Special reserve	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	2,500	2,500	-	-	(4,751,129)	(4,751,129)	-	-	-	-	(4,751,129)
Share dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of employees share options by the Company	16,955	190	17,145	-	-	-	-	-	-	-	-	140,436
Recognition of employees share options by the Company	-	-	-	-	-	-	-	-	-	-	-	295,427
Compensation costs recognized for employee share options	-	-	-	-	-	-	-	-	-	-	562	(14,967)
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	(15,529)	-	-	-	-	-	-	-	-
Differences between consideration paid and carrying amounts of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	-	1,657
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	374
Net profit for the year ended December 31, 2019	-	-	-	-	-	7,351,220	7,351,220	-	-	-	-	7,351,220
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(13,288)	(13,288)	(403,016)	330,855	-	-	(85,449)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	7,337,932	7,337,932	(403,016)	330,855	-	-	7,265,801
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	(24,369)	(24,369)	-	24,369	-	-	-
BALANCE AT DECEMBER 31, 2019	\$ 6,999,249	\$ 4,870	\$ 7,004,119	\$ 6,435,079	\$ 296,765	\$ 11,515,114	\$ 18,938,905	\$ (678,261)	\$ 30,079	\$ -	\$ 1,296	\$ 32,555,633

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



# ADVANTECH CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,878,417	\$ 7,629,476
Adjustments for:		
Depreciation expenses	245,332	255,248
Amortization expenses	100,070	85,574
Expected credit loss recongnized	6,624	6,815
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(49,976)	(1,296)
Financial costs	2,293	33
Interest income	(762)	(234)
Dividend income	(77,812)	(77,692)
Compensation costs of employee share options	295,427	341,624
Share of profit of subsidiaries and associates accounted for using the equity method	(1,443,177)	(1,322,249)
Gain on disposal of property, plant and equipment	(45,613)	(87,990)
Realized loss on the transactions with subsidiaries and associates	29,947	219,149
Changes in operating assets and liabilities		
Financial assets held for trading	(237,003)	(714,083)
Notes receivable	41,023	(12,735)
Trade receivables	168,293	51,483
Trade receivables from related parties	437,819	(1,052,120)
Other receivables	5,003	268
Other receivables from related parties	24,031	(25,542)
Inventories	13,073	(976,298)
Other current assets	(15,660)	3,816
Notes payable and trade payables	(1,730,611)	504,037
Trade payables to related parties	392,331	572,233
Other payables	(32,814)	60,429
Other payables to related parties	9,301	(22,966)
Short-term warranty provisions	5,548	4,371
Net defined benefit liabilities	(3,455)	(2,133)
Other current liabilities	53,476	(12,748)
Other non-current liabilities	<u>2,637</u>	<u>5,385</u>
Cash generated from operations	7,073,762	5,431,855
Interest received	762	234
Dividends received	77,812	77,692
Interests paid	(2,293)	(33)
Income tax paid	<u>(1,411,725)</u>	<u>(705,238)</u>
Net cash generated from operating activities	<u>5,738,318</u>	<u>4,804,510</u>

(Continued)

# ADVANTECH CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	\$ (1,935,265)	\$ (1,731,720)
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	(99,413)	(204,404)
Proceeds from disposal of property, plant and equipment	61,811	113,260
Increase (decrease) in refundable deposits	(4,466)	2,792
Payments for intangible assets	(111,079)	(111,209)
Proceeds from disposal of intangible assets	14,424	-
Decrease (increase) in prepayments for equipment	(11,935)	25,738
Dividends received from subsidiaries and associates	<u>270,636</u>	<u>998,998</u>
Net cash used in investing activities	<u>(1,815,287)</u>	<u>(249,318)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in guarantee deposits received	(272)	156
Repayment of principal portion of lease liabilities	(5,149)	-
Cash dividends paid	(4,751,129)	(4,600,414)
Exercise of employee share options	<u>140,436</u>	<u>118,376</u>
Net cash used in financing activities	<u>(4,616,114)</u>	<u>(4,481,882)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(693,083)	73,310
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,509,958</u>	<u>2,436,648</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,816,875</u>	<u>\$ 2,509,958</u>

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

(Concluded)

Advantech Co., Ltd.  
2019 Profit Distribution Table

Item	Total
Unappropriated retained earnings - beginning	4,206,192,085
Less: Retrospective application and retrospective restatement	(4,665,011)
Adjusted Unappropriated Retained Earnings – Beginning	4,201,527,074
Less: Remeasurements of the defined benefit recognized in retained	(13,257,051)
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	(24,369,057)
Adjusted Unappropriated Retained Earnings	4,163,900,966
Add: Net income	7,351,220,010
Less: 10% legal reserve appropriated	(735,122,001)
Less: Special reserve appropriated	(47,229,494)
Current earnings available for distribution	10,732,769,481
Distributions:	
Common stock cash dividend ( Dividends Per Share \$7.8)	(5,463,198,078)
Share dividends ( Dividends Per Share \$1 )	(700,410,010)
Unappropriated retained earnings - ending	4,569,161,393

Chairman: K.C. Liu

President: Eric Chen  
Miller Chang  
Linda Tsai

Chief Financial officer: Rorie Kang

## Advantech Co., Ltd.

## Corporate Charter (Articles of Incorporation) Article Amendments Table

After amendment	Before amendment	Remark
<p>Article 5</p> <p>The Company's total capital amounted to NT\$10 billion with 1billion shares authorized at NT\$10 par. The board of directors is authorized to have stock shares issue separately. For the total capital referred to above, NT\$500 million is reserved for exercising stock option with warrant or bonds with attached warrants. The Company has stock shares transferred to employees at a price below the average repurchase price; also, the transaction prior to the transfer of shares should be presented in the most recent shareholders' meeting that is attended by the shareholders with a majority shareholding and approved by the attending shareholders with two thirds of the shareholding.</p>	<p>Article 5</p> <p>The Company's total capital amounted to NT\$8 billion with 800 million shares authorized at NT\$10 par. The board of directors is authorized to have stock shares issue separately. For the total capital referred to above, NT\$500 million is reserved for exercising stock option with warrant or bonds with attached warrants. The Company has stock shares transferred to employees at a price below the average repurchase price; also, the transaction prior to the transfer of shares should be presented in the most recent shareholders' meeting that is attended by the shareholders with a majority shareholding and approved by the attending shareholders with two thirds of the shareholding.</p>	<p>According to the actual practice</p>
<p>Article 22</p> <p>The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).</p> <p>The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.</p> <p>The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.</p> <p>The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.</p> <p>The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.</p> <p>The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.</p> <p>The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.</p> <p>The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.</p> <p>The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.</p> <p>The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.</p> <p>The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.</p> <p>The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012.</p>	<p>Article 22</p> <p>The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).</p> <p>The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.</p> <p>The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.</p> <p>The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.</p> <p>The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.</p> <p>The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.</p> <p>The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.</p> <p>The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.</p> <p>The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.</p> <p>The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.</p> <p>The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.</p> <p>The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June</p>	<p>Update the date of the amendment</p>

<p>The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.</p> <p>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</p> <p>The 34th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.</p> <p>The 35th amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017.</p> <p>The 36th amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2018.</p> <p>The 37th amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2019.</p> <p><u>The 38th amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2019.</u></p>	<p>13, 2012.</p> <p>The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.</p> <p>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</p> <p>The 34rd amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.</p> <p>The 35rd amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017.</p> <p>The 36th amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2018.</p> <p>The 37th amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2019.</p>	
---	---	--

Advantech Co., Ltd.  
2020 Employee Stock Option Plan

一、 Purpose

In accordance with Article 28-3 of the “Securities and Exchange Act” and the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” promulgated by the Securities and Futures Bureau, Financial Supervisory Commission, Advantech Co., Ltd. (the Company) hereby establishes the “Employee Stock Option Plan” (the Plan) to attract and retain talents needed by the Company and to motivate employees and enhance their sense of belonging to the Company, so as to create common interests of the Company and shareholders.

二、 Grant Period

Employee stock options shall be granted in multiple tranches within one year from the date when the application of the Plan made to the competent authority becomes effective or when the notice of approval is served. The Chairman of the Company shall determine the actual grant date.

三、 Qualifications and Conditions for Optionees

Optionees shall be limited to the full-time employees in particular levels or positions or who have made a special contribution to the Company and the full-time employees of the domestic and overseas subsidiaries that are with over 50% (inclusive) shareholding held by the Company directly or indirectly. The base date for stock subscriber’s qualifications shall be decided by the Chairman. Employees who are qualified for stock subscription and the number of stock shares to be subscribed by each qualified employee shall be determined according to their job performance, overall contributions, or special achievements with the approval of the Chairman and the consent of the Board of Directors. For employees who are directors or who hold management positions, the issuance of employee stock options shall be subject to approval of the Remuneration Committee first.

According to Paragraph 1, Article 56-1 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers,” the total number of employee stock options granted by the Company to one single subscriber plus the total number of restricted shares granted to the subscriber shall not exceed 0.3% of the total number of shares issued by the Company. According to Paragraph 1, Article 56 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers,” the total number of employee stock options granted by the issuer to one single subscriber shall not exceed 1% of the total number of shares issued by the Company.

#### 四、 Total Number of Employee Stock Options to Be Granted

A total of 7,500 units of employee stock options are to be granted. Each unit of the employee stock option enables an optionee to subscribe 1,000 shares. The total number of new common shares to be reserved for the employee stock options is 7,500,000.

#### 五、 Terms and Conditions

##### (一) Exercise Price

The exercise price shall be NT\$200 per share.

##### (二) Exercise Period

1. Employee stock options shall become exercisable pursuant to the following schedule after two years since the grant of the employee stock options. The employee stock options shall expire at the end of the sixth year from the date of grant thereof (the Term). Except by inheritance, the employee stock options and the rights and interests thereon shall not be transferred, pledged or donated to other persons or otherwise disposed of.

#### Numbers of Years after Grant Date Accumulated Percentage of Exercisable Options

2 years	40%
3 years	60%
4 years	80%
5 years	100%

If there are other stipulations on the exercise of employee stock options, such stipulations shall prevail, provided that the employee stock options shall be exercised within the aforesaid accumulated percentage of exercisable options.

2. The Company shall have the right to revoke and cancel the employee stock options not yet exercisable if an optionee violates the employment agreement or employee handbook after being granted the employee stock options.

3. The Board of Directors may adjust the aforesaid schedule and percentage of exercisable options, as the case may be.

##### (三) Type of Shares Underlying Employee Stock Options: Common shares of the Company.

(四) If an optionee leaves his/her job for any reason, the following procedures shall be followed during the Term:

1. Job-leaving (including voluntary resignation, severance due to disability, leave without pay, layoff and dismissal)

For employee stock options that are already exercisable, an optionee may exercise his/her employee stock options within one month from the date of job-leaving, except the circumstances set forth in Paragraph 1, Article 10, under which the exercise period may be deferred accordingly. For employee stock options that are not yet exercisable, an optionee's right to exercise his/her employee stock options shall be deemed waived on the date of job-leaving.

## 2. Retirement (retirement by law)

For employee stock options that are already exercisable, an optionee may exercise his/her employee stock options within one month from the date of retirement, except the circumstances set forth in Paragraph 1, Article 10, under which the exercise period may be deferred accordingly. For employee stock options that are not yet exercisable, an optionee's right to exercise his/her employee stock options shall be deemed waived on the date of retirement; however, the Chairman or a supervisor authorized by the Chairman may, within the scope of the exercise of employee stock options set forth in Paragraph 2, Article 5 herein, especially approve the right and deadline regarding his/her exercise of employee stock options.

## 3. Death

If an optionee dies, employee stock options that are already exercisable shall be exercised by the heir within one year from the date of the optionee's death or before the Term (whichever is earlier). Employee stock options that are not yet exercisable shall be deemed waived on the date of the optionee's death.

## 4. Transfer

If an optionee is transferred to an affiliate of the Company or another company, his/her employee stock options shall be handled by analogy with the procedures for job-leaving. If an optionee is transferred according to the Company's requirement, the Chairman or a supervisor authorized by the Chairman may, within the scope of the exercise of employee stock options set forth in Paragraph 2, Article 5 herein, approve the right and deadline regarding his/her exercise of employee stock options.

If an optionee or his/her heir fails to exercise the employee stock options within the aforesaid periods, the optionee's right to exercise his/her employee stock options shall be deemed waived.

### (五) Procedures for Handling Employee Stock Options Waived by Optionees

The Company will cancel and will not re-grant the employee stock options waived by an optionee.

## 六、 Underlying Shares

The Company shall issue new common shares as underlying shares of the employee stock options. In accordance with the proviso set forth in Paragraph 1, Article 161 of the Company Act, the Company may



issue shares first and register the change in capital afterwards.

七、 Adjustment of Exercise Price

(一) After employee stock options are granted, except the Company issues all kinds of securities which are convertible or subscription to common shares or newly issued shares through capitalization of employee compensation, in case of any change in the number of the Company's common shares (e.g., issuance of new shares for cash, recapitalization from retained earnings, recapitalization from capital reserves, issue of new shares in connection with the merger or acquisition of shares of another company, share split, and the issuance of new shares for issuing overseas depositary receipts), the exercise price shall be adjusted based on the following formula (rounded up to the nearest NT\$0.1):

Adjusted exercise price = Exercise price before adjustment x [Number of issued shares + (Subscription price per new share x Number of newly issued shares) ÷ Market price per share] ÷ (Number of issued shares + Number of newly issued shares)

1. The number of issued shares shall mean the total number of issued common shares and the certificate of paid shares, excluding the number of shares of bond conversion entitlement certificates.
2. In the event of the distribution of free shares or stock splits, the amount paid per share shall be zero.
3. In the event of issuance of new shares for merger or acquisition of shares of another company, the subscription price per new share shall be the average of the closing prices of the Company's common shares during 20 consecutive business days starting from 45 business days immediately prior to the record date of such merger or acquisition.
4. If the adjusted exercise price is higher than the exercise price before adjustment, the exercise price shall not be adjusted.

(二) After employee stock options are granted, if the cash dividend per share distributed by the Company is more than 1.5% of the current market price per share, the exercise price shall be adjusted on the record date based on the following formula: Adjusted exercise price = Exercise price before adjustment x (1 - Ratio of distributed cash dividend to current market price per share)

The current market price referred to in the preceding paragraph shall be determined based on the simple arithmetic average of the common share closing price on the 1st, 3rd, or 5th business day immediately prior to the date when the Company announces that its shareholders' register is closed for the distribution of cash dividends.

(三) If cash dividends and stock dividends are issued at the same time (including recapitalization from

retained earnings and recapitalization from capital reserves), the exercise price shall be adjusted in accordance with the cash dividends and then the stock dividends.

(四) After employee stock options are granted, in case of the Company's capital reduction not caused by the cancellation of the Company's treasury shares, the exercise price shall be adjusted on the record date based on the following formula (rounded up to the nearest NT\$0.1):

Capital reduction to offset accumulated losses

Adjusted exercise price = Exercise price before adjustment  $\times$  (Number of issued shares before capital reduction  $\div$  Number of issued shares after capital reduction)

Capital reduction by cash refund

Adjusted exercise price = (Exercise price before adjustment - Cash refund per share)  $\times$  (Number of issued shares before capital reduction  $\div$  Number of issued shares after capital reduction)

#### 八、Procedures for Exercising Employee Stock Options

(一) Except for the closed period prescribed by law and the restricted period set forth in Paragraph 1, Article 10 herein, an optionee may exercise his/her employee stock options in accordance with the schedule stipulated in Paragraph 2, Article 5 herein. The optionee shall fill out an exercise request and submit it to the Company's stock transfer agent. The exercise request shall become effective upon the Company's receipt and shall not be withdrawn thereafter.

(二) After the receipt of the aforesaid exercise request, the Company's stock transfer agent shall notify the optionee to make a payment for the shares to a designated bank.

(三) After collecting full payment for the shares, the Company's stock transfer agent shall register the optionee and his/her shares in the shareholders' register and transfer the newly issued shares to the optionee within five business days through the book-entry system.

(四) The common shares so issued shall be tradable on the exchange from the date of transfer to an optionee. If the common shares of the Company are traded on the Taiwan Stock Exchange in accordance with the law, the newly issued common shares of the Company will be listed for trading from the date of transfer to the optionees.

(五) The Company shall make an announcement of the number of shares transferred due to the exercise of employee stock options in a given quarter within 15 days after the end of such quarter, and shall apply to the company registration authority at least once a quarter to register the change in capital for the shares so issued.

The Company may adjust or cancel the aforesaid registration of changes in share capital if less than 20 days elapse from the record date of distribution of free shares, record date of registration of changes in preferred share capital, and record date of registration of changes in share capital.

#### 九、Where Exercise Price Is Lower than Face Value of Common Share

If the exercise price is lower than the face value of the common share, the exercise price shall be the face value of the common share.

#### 十、 Limitations after Exercise of Employee Stock Options

(一) The employee stock options granted by the Company are not exercisable during the following periods of each year:

1. The statutory book closure period before the annual shareholders' meeting.
2. The period from three business days prior to the book closure date of free distribution of shares and/or distribution of cash dividends applied to Taiwan Stock Exchange, to the record date of distribution of shares and/or cash dividends (whichever is later).
3. The period from three business days prior to the date when the adopted record date of merger is announced, to the record date of such merger; the period from three business days prior to the date when the adopted record date of split-up is announced, to the record date of such split-up; or the period from three business days prior to the book closure date of compensated distribution of shares applied to Taiwan Stock Exchange, to the record date of such compensated distribution of shares.
4. Other statutory book closure periods.

#### 十一、 Confidentiality

Unless otherwise requested by law or competent authorities, an optionee shall keep confidential the content and number of the employee stock options granted. In case of any violation of such confidentiality, the Company shall handle it in accordance with Subparagraph 2, Paragraph 2, Article 5 herein.

#### 十二、 Implementation Rules

The Company shall notify each optionee of the procedures and deadlines regarding the number, exercise, payment, and transfer of the employees stock options granted separately.

#### 十三、 Other Important Stipulations

- (一) The Plan shall be adopted by more than half of the directors who attend the Board meeting and represent more than two-thirds of the Board of Directors, and shall become effective with the approval of the competent authority.
- (二) Any matters not set forth herein shall be handled in accordance with relevant laws and regulations.

**Advantech Co., Ltd.**  
**Procedures for Lending Funds to Other Parties**

<b>After amendment</b>	<b>Before amendment</b>	<b>Remark</b>
<p>Article 1            These Operational Procedures comply with these Regulations when making loans to and endorsements for others; provided, where financial laws or regulations provide otherwise, such provisions shall govern.</p>	<p>Article 1            These Operational Procedures are established by the Company to regulate the lending of funds to others for the purpose of maintaining the Company's interests.            Matters not specified in these Procedures shall be handled in accordance with related laws and regulations.</p>	<p>According to the governing law and regulations</p>
<p>Article 2            "Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.            Where a public company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>Article 2 Scope of Application            The lending activities of the Company shall be in accordance with these Operational Procedures.            The subsidiaries and parent company referred to in these Operational Procedures shall be recognized according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.            The Company's financial statements are prepared based on International Financial Reporting Standards. The net value referred in these Operational Procedure shall refer to the owners' equity on the parent company's balance sheet of the Company's financial statements.</p>	<p>According to the governing law and regulations</p>
<p>Article 8            Procedures for Fund Lending and Detailed Review            1. Application:            ...            D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval. The board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.            ...            9. If, due to changes of circumstances, the party to whom the Company gives a loan no longer satisfies the criteria set forth herein, or the balance of a loan exceeds the limits, a corrective plan shall be provided to the <u>independent directors</u> and Audit Committee and the proposed corrections shall be implemented within the period specified in the plan.</p>	<p>Article 8            Procedures for Fund Lending and Detailed Review            1. Application:            ...            D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval.            ...            9. If, due to changes of circumstances, the party to whom the Company gives a loan no longer satisfies the criteria set forth herein, or the balance of a loan exceeds the limits, a corrective plan shall be provided to the Audit Committee and the proposed corrections shall be implemented within the period specified in the plan.</p>	<p>According to the governing law and regulations</p>
<p>Article 12            Procedures for Announcement and Report            ...            "Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement, whichever date</p>	<p>Article 12            Procedures for Announcement and Report            ...            "Date of occurrence" in these Operational Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the</p>	<p>According to the governing law and regulations</p>

is earlier.	transaction, whichever date is earlier.	
<p>Article 12.2</p> <p>The public company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the independent directors and Audit Committee in writing of any material violation found.</p>	<p>Article 12</p>	<p>According to the governing law and regulations</p>
<p>Article 13</p> <p>Implementation and Amendment</p> <p>These Operational Procedure to loan funds to others shall formulate its Operational Procedures for Loaning Funds to Others in compliance with these Regulations, and, after passage by the board of directors, submit the Procedures to each supervisor and submit them for approval by the shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>Article 13</p> <p>Implementation and Amendment</p> <p>These Operational Procedures shall be approved by the Board of Directors and then sent to the Audit Committee and proposed at the shareholders' meeting for approval. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the Audit Committee and the shareholders' meeting for discussion any amendment hereto is subject to the same procedures. If the Company has established independent directors, when submitting these Operational Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	<p>According to the governing law and regulations</p>
<p>These Procedures were established on May 3, 1997.</p> <p>The 1<sup>st</sup> amendment was made on May 30, 2002.</p> <p>The 2<sup>nd</sup> amendment was made on May 2, 2003.</p> <p>The 3<sup>rd</sup> amendment was made on May 15, 2009.</p> <p>The 4<sup>th</sup> amendment was made on May 18, 2010.</p> <p>The 5<sup>th</sup> amendment was made on June 13, 2013.</p> <p>The 6<sup>th</sup> amendment was made on May 26, 2017.</p> <p>The 7<sup>th</sup> amendment was made on May 28, 2019.</p> <p>The 8<sup>th</sup> amendment was made on May 28, 2020.</p>	<p>These Procedures were established on May 3, 1997.</p> <p>The 1<sup>st</sup> amendment was made on May 30, 2002.</p> <p>The 2<sup>nd</sup> amendment was made on May 2, 2003.</p> <p>The 3<sup>rd</sup> amendment was made on May 15, 2009.</p> <p>The 4<sup>th</sup> amendment was made on May 18, 2010.</p> <p>The 5<sup>th</sup> amendment was made on June 13, 2013.</p> <p>The 6<sup>th</sup> amendment was made on May 26, 2017.</p>	<p>Update the date of the amendment</p>

**Advantech Co., Ltd.****Procedures for Endorsements & Guarantees**

<b>After amendment</b>	<b>Before amendment</b>	<b>Remark</b>
<p>Article 1</p> <p>These Operational Procedures comply with these Regulations when making loans to and guarantees for others; provided, where financial laws or regulations provide otherwise, such provisions shall govern.</p>	<p>Article 1</p> <p>These Procedures are established to maintain the sound operation and interests of the Company and to reduce its operational risks.</p>	<p>According to the governing law and regulations</p>
<p>Article 2</p> <p>"Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>Where a public company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>Article 2</p> <p>The Company shall comply with these Procedures in addition to its Articles of Incorporation when engaging in endorsements and guarantees. Matters not specified in these Procedures shall be handled in accordance with related laws and regulations.</p> <p>The subsidiaries and parent company referred in these Procedures shall be recognized according to the Statement of Financial Accounting Standards (SFAS) No. 5 and No. 7 published by Accounting Research and Development Foundation.</p>	<p>According to the governing law and regulations</p>
<p>Article 5.1</p> <p>Level of Authorization</p> <p>Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference.</p> <p>In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan containing a timetable to withdraw the excess portion.</p> <p><u>The board of directors shall take into full consideration each independent director's</u></p>	<p>Article 5.1 Level of Authorization</p> <p>Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference.</p> <p>In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan containing a timetable to withdraw the excess portion.</p> <p>If, due to changes of circumstances, the party to whom the Company provides an endorsement and/or guarantee no longer satisfies the criteria set forth herein, or the amount of endorsement and/or guarantee exceeds the limits, a corrective plan shall be</p>	<p>According to the governing law and regulations</p>

<p><u>opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</u></p> <p>If, due to changes of circumstances, the party to whom the Company provides an endorsement and/or guarantee no longer satisfies the criteria set forth herein, or the amount of endorsement and/or guarantee exceeds the limits, a corrective plan shall be provided to the <u>independent directors</u> and Audit Committee and the proposed corrections shall be implemented within the period specified in the plan.</p>	<p>provided to the Audit Committee and the proposed corrections shall be implemented within the period specified in the plan.</p>	
<p>Article 9.1</p> <p>...</p> <p>3. The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, carrying value of <u>equity method investment</u> in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements and/or guarantees made by the Company or its subsidiaries is more than NT\$30 million or more than 5% of the Company's net value as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report in Market Observation Post System pursuant to the subparagraph 4 of the preceding paragraph.</p> <p><u>"Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.</u></p>	<p>Article 9.1</p> <p>...</p> <p>3. The balance of endorsements and/or guarantees by the Company and its subsidiaries for an individual enterprise is more than NT\$10 million or the aggregate amount of all endorsements and/or guarantees for <u>long-term</u> nature of 5 investments in, and balance of loans to, such enterprise reaches 30% of the Company's net value as stated in its latest financial statement.</p> <p>4. The amount of new endorsements and/or guarantees made by the Company or its subsidiaries is more than NT\$30 million or more than 5% of the Company's net value as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report in Market Observation Post System pursuant to the subparagraph 4 of the preceding paragraph.</p>	<p>According to the governing law and regulations</p>
<p>Article 11</p> <p>Internal auditors of the Company shall perform the audit on the Company's endorsement and/or guarantee profile at least once per quarter and produce written auditing reports. In the case that a material violation is found, internal audit shall immediately notify the <u>independent</u></p>	<p>Article 11</p> <p>Internal auditors of the Company shall perform the audit on the Company's endorsement and/or guarantee profile at least once per quarter and produce written auditing reports. In the case that a material violation is found, internal audit shall immediately notify the Audit Committee in</p>	<p>According to the governing law and regulations</p>

directors and Audit Committee in writing.	writing.	
<p>Article 12 These Operational Procedure to loan funds to others shall formulate its Operational Procedures for Loaning Funds to Others in compliance with these Regulations, and, after passage by the board of directors, submit the Procedures to each supervisor and submit them for approval by the shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>Article 12 These Procedures shall be implemented upon approval of the Board of Directors, the Audit Committee and the shareholders' meeting. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the Audit Committee and the shareholders' meeting for discussion. Any amendment hereto is subject to the same procedures</p> <p>If the Company has established independent directors, when submitting these Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	<p>According to the governing law and regulations</p>
<p>Article 13 These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on May 2, 2003.</p> <p>The 2nd amendment was made on June 16, 2006.</p> <p>The 3rd amendment was made on May 15, 2009.</p> <p>The 4th amendment was made on May 18, 2010.</p> <p>The 5th amendment was made on May 26, 2017.</p> <p><u>The 6th amendment was made on May 28, 2020.</u></p>	<p>Article 13 These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on May 2, 2003.</p> <p>The 2nd amendment was made on June 16, 2006.</p> <p>The 3rd amendment was made on May 15, 2009.</p> <p>The 4th amendment was made on May 18, 2010.</p> <p>The 5th amendment was made on May 26, 2017.</p>	<p>Update the date of the amendment</p>