

Stock Code: 2395

ADVANTECH

Enabling an Intelligent Planet

Advantech Co.,Ltd.

Annual General Shareholders Meeting for 2020

Meeting Handbook

May 28 , 2020

Advantech Co., Ltd.

Procedure for the 2020 General Shareholders' Meeting

1. Call the Meeting to Order
2. Chairperson Remarks
3. Report Items
4. Acknowledgement Items
5. Discussion and Election Items
6. Other Business and Special Motions
7. Adjournment

I. Agenda of Annual Meeting

Advantech Co., Ltd. Agenda of 2020 General Shareholders' Meeting

Time: 9:00 a.m. on May 28 (Tuesday), 2020

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

1. Call the Meeting to Order

2. Chairperson Remarks

3. Report Items

(1) The 2019 Business Report

(2) The Audit Committee's Review Report on the 2019 Financial Statements

(3) Status reports of the Cash dividends for Distribution of 2019 Profits

(4) 2019 Employees' and Directors' Remuneration Proposal

(5) The Status of Endorsement and Guarantee in 2019

4. Acknowledgement Items

(1) Adoption of the 2019 Business Report and Financial Statements

(2) Adoption of the Proposal for Distribution of 2019 Profits

5. Discussion and Election Items

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

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

(3) The Company plans to issue employee share options with price lower than fair market value

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

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

(6) Election of directors.

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

6. Other Business and Special Motions

7. Adjournment

1. Report Items

Report No. 1

Cause of action : The 2019 Business Reports.

Explanation : The 2019 Business Report is attached as Attachment I.

Report No. 2

Cause of action : The Audit Committee's Review Report on the 2019 Financial Statements.

Explanation : The 2019 Audit Committee's Review Report is attached as Attachment II.

Report No. 3

Cause of action : Status reports of the Cash dividends for Distribution of 2019 Profits.

Explanation :

1. The Board of Directors is authorized to decide the distribution of partial or full dividends in cash, and report the decision to the shareholders meeting in accordance with Article 20-2 of the Articles of Incorporation.
2. Cash dividends amounting to NT\$5,463,198,078 were distributed to shareholders at NT\$7.8 per share. The distribution of cash dividend is calculated to the dollar (round up to the dollar). The total amount of the odd shares with a distribution of less than NT\$1 will be booked as the other income or other expense of the company.
3. The current distribution of earnings is scheduled before the dividend benchmark date. If there is any change in the yield rate as a result of any change in the company's outstanding shares, a request is to be made in the shareholders' meeting having the Chairman authorized to handle matters related to the changes.

Report No. 4

Cause of action : 2019 Employees' and Directors' Remuneration Proposal .

Explanation : Pursuant to Article 20 of the company's Articles of Incorporation, in consideration of the company's overall business operations and the payment standard of the industry, it is recommended to appropriate an amount of NT\$600,000,000 as bonus to employees and NT\$12,000,000 as remuneration to directors paid in cash from the net income of 2019.

1. There is no difference between the amount approved by the Board of Directors and the amount recognized as an expense in 2019.
2. The proposal has passed in the Remuneration Committee meeting.

Report No. 5

Cause of action : The Status of Endorsement and Guarantee in 2019.

Explanation :

1. In compliance with the company's "Procedure for Making of Endorsements and Guarantees".
2. The company issued a letter of guarantee to endorse and guarantee the subsidiaries' purchase of materials and short-term bank loan in response to the subsidiary's business operation. The balance of endorsement and guarantee amounted to NT\$3,274,612 thousand as of December 31, 2019, representing 46.79% of the company's paid-in capital.
3. Please review the statement of endorsement and guaranteed amount enclosed.

Guarantor (Company)	Subsidiary of the guaranteed company	Category	Amount (original currency ___K)	NTD (NTD___K)	Remarks
Advantech (ACL)	Advantech Corporation.	short-term bank loan	USD30,000	\$899,400	Under the limit (Note2)
Advantech (ACL)	Advantech Automation Corporation (AAC BVI)	short-term bank loan	USD10,000	299,800	Under the limit (Note2)
Advantech (ACL)	Advantech Corporate Investment	short-term bank loan	USD10,000	299,800	Under the limit (Note2)
Advantech (ACL)	Advantech Japan Co.,LTD.(AJP)	short-term bank loan	USD10,000	299,800	Under the limit (Note2)
Advantech (ACL)	Advantech Technologies Japan Corp. (ATJ)	short-term bank loan	JPY1,000,000	276,000	Under the limit (Note2)
Advantech (ACL)	KOSTEC Co., Ltd. (AKST)	short-term bank loan	USD6,000	179,880	Under the limit (Note2)
Advantech (ACL)	Advantech Technology (China)Company Ltd. (AKMC)	short-term bank loan	USD6,000	179,880	Under the limit (Note2)
Advantech (ACL)	Advantech Corporate Investment Ltd.	short-term bank loan	USD5,000	149,900	Under the limit (Note2)
Advantech (ACL)	Advantech Service-IoT Co.,Ltd.	short-term bank loan	USD5,000	149,900	Under the limit (Note2)
Advantech (ACL)	Advantech Service-IoT Co., Ltd. Taiwan Branch	short-term bank loan	USD5,000	149,900	Under the limit (Note2)
Advantech (ACL)	B+B SmartWorx Inc.	short-term bank loan	USD5,000	149,900	Under the limit (Note2)
Advantech (ACL)	Advantech Brasil Ltda. (ABR)	short-term bank loan	USD1,500	44,970	Under the limit (Note2)
Advantech (ACL)	Advantech Service-IoT GMBH	short-term bank loan	EUR1,000	33,590	Under the limit (Note2)
Advantech (ACL)	Advantech Vietnam Technology company Limited.(AVN)	short-term bank loan	USD1,000	29,980	Under the limit (Note2)
Advantech (ACL)	Cermate Technologies Inc. (Cermate)	short-term bank loan	USD1,000	29,980	Under the limit (Note2)
Advantech (ACL)	Shenzhen Cermate Technologies Inc.	short-term bank loan	USD1,000	29,980	Under the limit (Note2)
Advantech (ACL)	Advantech B+B SmartWorx s.r.o.	short-term bank loan	USD500	14,990	Under the limit (Note2)
Advantech (ACL)	Advantech Teknoloji A.S. (ATR)	short-term bank loan	USD500	14,990	Under the limit (Note2)

Advantech (ACL)	Advanixs Corp.	short-term bank loan	USD500	14,990	Under the limit (Note2)
Advantech (ACL)	AdvantechPOS Technology Co.,Ltd.	short-term bank loan	USD500	14,990	Under the limit (Note2)
Advantech (ACL)	Advantech Australia Pty Limited.(AAU)	short-term bank loan	USD200	5,996	Under the limit (Note2)
Advantech (ACL)	Advantech Intelligent Service.	short-term bank loan	USD150	4,497	Under the limit (Note2)
Advantech (ACL)	Advantech KR Co., Ltd	short-term bank loan	USD50	1,499	Under the limit (Note2)
Total				\$3,274,612	Under the limit (Note1)

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

- (1) Maximum endorsement and guarantee amounted to NT\$9,670,691 thousand.
- (2) Maximum endorsement and guarantee for one single enterprise amounted to NT\$3,223,564 thousand.
- (3) The amount of limit referred to above is calculated in accordance with the net value NT\$32,235,638 thousand stated in the 2019 audited financial statements.

2. Acknowledgement Items

Acknowledgement 1:

(Proposed by the Board of Directors)

Cause of action : Adoption of the 2019 Business Report and Financial Statements.

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.

Resolution :

Acknowledgement 2:

(Proposed by the Board of Directors)

Cause of action : Adoption of the Proposal for Distribution of 2019 Earnings.

Explanation : 1. Please refer to the 2019 profit distribution table in Attachment IV.
2. The net income of the company amounted to NT\$7,351,220,010 for 2019. Added the beginning unappropriated 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:
(1) 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.
(2) The distribution of cash dividend is calculated to the dollar (round up to the dollar). The total amount of the odd shares with a distribution of less than NT\$1 will be booked as the other income or other expense of the company.
(3) The current distribution of earnings is scheduled before the dividend benchmark date. If there is any change in the yield rate as a result of any change in the company's outstanding shares, a request is to be made in the shareholders' meeting having the Chairman authorized to handle matters related to the changes.

Resolution :

3. Discussion and Election Items

Discussion 1

(Proposed by the Board of Directors)

Cause of action : Amendment to the Company's "Articles of Incorporation".

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.

Resolution :

Discussion 2

(Proposed by the Board of Directors)

Cause of action : Issuance of new shares from capital increase by earnings.

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.

Resolution :

Discussion 3

(Proposed by the Board of Directors)

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

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.
(1) 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.

- (2) The reference and reasonability of stock price:
 Stock price is NT\$200 per share.
- (3) 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.
- (4) 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.
- (5) 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.

Resolution :

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

Discussion: 4

(Proposed by the Board of Directors)

- Cause of action : Amendment to the “Procedures for Lending Funds to Other Parties”.
- 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.
- Resolution :

Discussion: 5

(Proposed by the Board of Directors)

- Cause of action : Amendment to the “Procedures For Endorsement & Guarantee ”.
- 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.
- Resolution :

Discussion: 6

(Proposed by the Board of Directors)

- Cause of action : Election of directors .
- 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

Election results:

Proposal: 7

(Proposed by the Board of Directors)

Cause of action : Exemption of the limitation of non-competition on the directors of the Company. Please proceed to discuss.

Explanation : 1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

2. To take good advantage of the specialties and experience of the Company's directors, the release of the prohibition on new directors and their representatives, elected in the 2020 annual shareholders' meeting, from participation in competitive business is proposed in the shareholders' meeting for approval according to laws.

Resolution :

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 Corp. Representative:Donald Chang	Independent Director of Chung Hwapulp Corp.
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.

4. Other Business and Special Motions**5. Adjournment**

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	%
CURRENT ASSETS				
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
NON-CURRENT ASSETS				
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
TOTAL	\$ 47,216,079	100	\$ 43,939,961	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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
NON-CURRENT LIABILITIES				
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
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)				
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
NON-CONTROLLING INTERESTS	495,822	1	245,436	-
Total equity	32,731,460	69	29,543,475	67
TOTAL	\$ 47,216,079	100	\$ 43,939,961	100

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)	-	(93,824)	-	(4,572)	-	(4,572)
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)	-	-	27,576,502	179,366	27,755,868
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	-	-	-	-	-	-	2,460	-	-	-	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	-	-	-	-	-	-	70,716	-	-	-	70,716	52,048	122,764
Employee share options distributed by subsidiaries	-	-	-	-	-	-	(740)	-	-	-	(740)	806	66
Employee share options distributed by subsidiaries	-	-	-	-	-	-	(740)	-	-	-	(740)	806	66
Net profit for the year ended December 31, 2018	-	-	-	-	-	6,289,993	6,289,993	-	-	-	6,289,993	18,981	6,308,974
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	(11,766)	-	-	(486,698)	5,030	(481,668)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(15,687)	(15,687)	(11,766)	-	-	(486,698)	5,030	(481,668)
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	4,680	6,986,955	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	-	-	-	-	-	-	(15,529)	-	-	-	(14,967)	-	(14,967)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	1,657	-	-	-	1,657	20,693	22,350
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	374	-	-	-	374	(47)	327
Net profit for the year ended December 31, 2019	-	-	-	-	-	7,351,220	7,351,220	-	-	-	7,351,220	41,635	7,392,855
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(13,238)	(13,238)	(403,016)	-	-	(85,419)	(7,855)	(93,273)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	7,337,982	7,337,982	(403,016)	-	-	7,252,801	33,779	7,286,580
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	(24,569)	(24,569)	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	\$ 6,999,230	\$ 4,570	\$ 7,003,800	\$ 6,385,079	\$ 798,763	\$ 11,515,121	\$ 18,538,963	\$ (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)
CASH FLOWS FROM OPERATING ACTIVITIES		
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	%
CURRENT ASSETS				
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>
NON-CURRENT ASSETS				
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>
TOTAL	<u>\$ 42,849,003</u>	<u>100</u>	<u>\$ 41,064,798</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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>
NON-CURRENT LIABILITIES				
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>
EQUITY				
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>
TOTAL	<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)		Total Equity			
	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
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)	-	(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	(403,479)	-	-	-	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 employee share options by the Company	11,950	2,180	14,130	-	-	-	-	-	-	-	-	18,376
Recognition of employee 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	-	-	-	-	-	-	-	-	-	-	-	6,289,993
Net profit for the year ended December 31, 2018	-	-	-	-	-	6,289,993	6,289,993	(11,766)	(459,245)	-	-	(486,028)
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	-	-	-	-	-	6,274,311	6,274,311	(11,766)	(459,245)	-	-	5,803,325
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	(11,727)	(11,727)	-	11,727	-	-	-
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 employee share options by the Company	16,955	190	17,145	-	-	-	-	-	-	-	-	140,136
Compensation costs recognized for employee share options	-	-	-	-	-	-	-	-	-	-	562	295,427
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	(15,529)	-	-	-	-	-	-	-	(14,967)
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	-	-	-	-	-	(13,238)	(13,238)	(403,016)	330,855	-	-	(85,419)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	7,337,982	7,337,982	(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	18,958,965	(678,261)	(30,070)	-	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
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(693,083)	73,310
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,509,958</u>	<u>2,436,648</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<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):

$$\text{Adjusted exercise price} = \text{Exercise price before adjustment} \times \frac{[\text{Number of issued shares} + (\text{Subscription price per new share} \times \text{Number of newly issued shares}) \div \text{Market price per share}]}{(\text{Number of issued shares} + \text{Number of newly issued shares})}$$

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

After amendment	Before amendment	Remark
<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 1st amendment was made on May 30, 2002.</p> <p>The 2nd amendment was made on May 2, 2003.</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 June 13, 2013.</p> <p>The 6th amendment was made on May 26, 2017.</p> <p>The 7th amendment was made on May 28, 2019.</p> <p>The 8th amendment was made on May 28, 2020.</p>	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on May 30, 2002.</p> <p>The 2nd amendment was made on May 2, 2003.</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 June 13, 2013.</p> <p>The 6th amendment was made on May 26, 2017.</p>	<p>Update the date of the amendment</p>

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

After amendment	Before amendment	Remark
<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>

APPENDICES

III. Appendices

< Appendix I >

Corporate Charter (Articles of Incorporation) (Before Amendment)

Chapter 1 General Rules

- Article 1 : The Company was organized in accordance with the provisions of the Company Law and was known as “Advantech Co., Ltd.”
- Article 1.1 : When conducting its business, every company shall comply with the laws and regulations as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.
- Article 2 : The Company’s business operation is as follows:
1. CC01060 Wire communications machinery and equipment manufacturing
 2. CC01070 Wireless communications machinery and equipment manufacturing
 3. CC01080 Electronic Components Manufacturing
 4. CC01110 Computer and peripheral equipment manufacturing
 5. CE01010 General equipment manufacturing
 6. E605010 Computer equipment installation industry
 7. EZ05010 Instrument and meters installation engineering
 8. I301010 IT software services industry
 9. I301020 Data processing services
 10. I301030 Electronic information supply services
 11. CC01101 RF controlled telecommunications equipment manufacturing
 12. F401021 RF controlled telecommunications equipment importing
 13. IG03010 Energy and Technical Services
 14. CC01030 Electrical appliances and audio-video electronic products manufacturing
 15. F113020 Electrical appliances wholesale
 16. F213010 Electrical appliances retail
 17. ZZ99999 In addition to the licensed businesses, may conduct other businesses that are not prohibited or restricted.
- Article 2.1 : The Company for business needs may conduct the making of endorsement and guarantee.
- Article 3 : The Company’s headquarters is in Taipei and may setup offshore branches with the resolution of the board of directors.
- Article 4 : The Company may have announcements made in accordance with Article 28 of the Company Law.

Chapter 1 Shares

- Article 5 : The Company’s total capital amounted to NT\$8 billion with 800 million shares authorized at NT\$10 par. The board of directors is authorized to have stock shares issue separately. For the total capital referred to above, NT\$500 million is reserved for exercising stock option with warrant or bonds with attached warrants. The Company has stock shares transferred to employees at a price below the average repurchase price; also, the transaction prior to the transfer of shares should be presented in the most recent shareholders’ meeting that is attended by the shareholders with a majority shareholding and approved by the attending shareholders with two thirds of the shareholding.
- Article 5.1 : When the Company issuing employee warrants at a price below the Company’s common stock closing price on the issuing date, the transaction of share issuance should be presented in the shareholders’ meeting that is attended by the shareholders with a majority shareholding and approved by the attending shareholders with two thirds of the shareholding.
- Article 5.2 : The entitled transferees who receive the shares bought by the Company based on Article 167-1 of Company Act include the employees of parents or subsidiaries

of the company meeting certain specific requirements.

The entitled transferees who receive share subscription warrants based on Article 167-2 of Company Act include the employees of parents or subsidiaries of the company meeting certain specific requirements.

The employees who are entitled to subscribe new shares or restricted stock issued by the Company based on Article 267 of Company Act include the employees of parents or subsidiaries of the company meeting certain specific requirements.

- Article 6 : Deleted
- Article 6.1 : Deleted
- Article 7 : The Company is exempted from having the stock shares printed out after issuance; however, the Company should contact the securities depository and clearing institution for registration.
- Article 8 : The registration for any change made to the Shareholder Registry should be ceased 60 days prior to the general shareholders' meeting, 30 days prior to the extraordinary shareholders' meeting, or 5 days prior to the Company's deciding to distribute dividends and bonuses or other benefits.
- Chapter 3 Shareholders' meeting**
- Article 9 : Shareholders' meeting includes general shareholders' meeting and extraordinary shareholders' meeting. General shareholders' meeting is held annually and it is convened by the board of directors lawfully six months after the fiscal year. Extraordinary shareholders' meeting is convened when it is necessary.
- Article 10 : Shareholders who are unable to attend the shareholders' meeting in person may have a representative appointed to attend the meeting by issuing the proxy that is printed by the Company with the scope of authorization specified and then signed or sealed. The proxy referred to above is regulated in accordance with the "Regulations for the Use of Proxies for Shareholders' Meeting of Public Companies."
- Article 11 : It is one voting right per share for the shareholders of the Company, except for those subject to restrictions or those who have no voting right according to the Company Law.
- Article 12 : The resolution reached in the shareholders' meeting, unless otherwise provided by law, can be enforced after being presented in the shareholders' meeting that is attended by a majority of shareholders in person or by proxy and approved by the attending shareholders with a majority shareholding.
- Chapter 4 Directors**
- Article 13 : The company has seven ~ nine directors. Nominated for a term of three years and they are elected from the capable candidates in the shareholders' meeting; also, they can be re-elected. There must be at least two independent directors (not less than one fifth of the total number of directors) out of the number of directors referred to above. The independent directors are to be elected from the candidates in the shareholders' meeting. The professional qualifications of the independent directors, shareholdings, limitation of part-time job, the nomination and appointment method, and other matters to be complied with must be processed according to the relevant provisions of the competent authorities.
- Article 13.1 : The exercise of power by the board of directors is as follows:
1. The elaboration of the Corporate Charter
 2. The elaboration of the Company's business plan
 3. The elaboration of the Company's profit distribution
 4. The elaboration of the Company's capital increase and decrease
 5. The review and approval of the Company's budget and the preparation of the Company's final account
 6. The elaboration of the acquisition and disposal of fixed assets by the Company and the investment in other businesses
 7. The powers endowed in accordance with the law and regulations and in the

- shareholders' meeting
- Article 13.2 : The exercise of power by the audit committee is as follows:
1. Reviewing the operations and financial condition of the Company
 2. Auditing the accounting books and documents of the Company
 3. Other responsibilities assigned in accordance with the law and regulations
- Article 13.3 : The total shares of the Company held by all directors to be processed in accordance with the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies” published by the competent authorities.
- Article 13.4 : The company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.
- Article 13.5 : The board of directors is authorized to deliberate and determine the remuneration of all directors according to their participation in and contribution to the Company’s business operation and by referring to the remuneration standard of the domestic industry.
- Article 13.6 : The Company has an Audit Committee setup in accordance with Article 14.4 of the Securities Exchange Act, which is organized by all the independent directors. The ~~exercise of power by the Audit Committee and its members and the related matters~~ are to be processed in accordance with the provisions of the competent authorities.
- Article 14 : The Board of Directors is formed by the directors. The Chairman is elected by a majority of the attending directors at the board meeting that is attended by two thirds of the directors.
- Article 14.1 : Meetings of the board of directors shall be convened by the chairman of the board of directors.
- The majority or more of the directors may, by filing a written proposal setting forth therein the subjects for discussions and the reasons, request the chairman of the board of directors to convene a meeting of the board of directors.
- If the chairman of the board of directors fails to convene a meeting of board of directors within 15 days after the filing of the request under the preceding paragraph, the proposing directors may convene a meeting of board of directors on their own.
- Article 14.2 : The Company may at any time in case of emergency convene a board meeting and with the directors informed in writing or by E-mail or fax.
- Article 15 : When the Chairman is unable to exercise powers due to a leave or for other reasons, the matter regarding the deputy of the Chairman should be handled in accordance with Article 208 of the Company Law.
- Article 15.1 : The resolutions of the board of directors, unless otherwise provided by the Company Law and the Corporate Charter, shall be exercised with the consent of a majority of the attending directors at the board meeting that is attended by a majority of the directors. Directors should attend board meetings in person. The director who is unable to attend board meetings in person may authorize another director in writing to attend the board meetings; however, the above mentioned proxy should be issued each time with the scope of authorization detailed to have one and only deputy delegated.
- Article 16 : Deleted
- Chapter 5** **Managers**
- Article 17 : The Company may have several managers appointed; also, the appointment, dismissal, and remuneration should be processed in accordance with Article 29 of the Company Law.
- Chapter 6** **Accountant**
- Article 18 : The Company’s board of directors shall at the end of each fiscal year have the following composed (1) Business Report (2) Financial Reports (3) Profit Distribution Proposals for acknowledgement in the shareholders’ meeting.

- Article 19 : Deleted
- Article 19.1 : The Company engages in high-tech computer and Internet-related industries and is in the growth stage of the business life cycle. In response to the overall business environment and industry growth characteristics and the pursuit of the Company's sustainable development, the long-term interests of shareholders, the stable operating performance goal, and the stable growth of earnings per share in accordance with the Company's future capital expenditure budget and fund needs, the Company's stock dividend distribution is limited to 75% of the total dividend planned for distribution.
- Article 20 : The Company may, by a resolution adopted by a majority vote at the meeting of the Board of Directors attended by two-thirds of total members, have the profit value not less than 5% of the total Company's surplus (if any) distributable as employees' compensation distributed in the form of shares or in cash. The entitled transferees who receive the compensation include the employees of parents or subsidiaries of the company meeting certain specific requirements. The remuneration for Directors with the maximum value as 1% of the above-mentioned Company's surplus may be distributable by a resolution adopted by the Board of Directors. The proposed bonus to employees and remuneration to directors should be presented in the shareholders' meeting for a resolution. If the company is with accumulated losses, an amount for making up the losses should be reserved in advance before appropriating bonus to employees and remuneration to directors according to the ratio referred to above.
- Article 20.1 : The Company's reinvestment may exceed 40% of the paid-in capital and with the board of directors authorized to execute it.
- Article 20.2 : The Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside 10% of such profits as a legal reserve. However when the legal reserve amount has reached the one of the paid-in capital of the Company, this shall not apply. The balance shall be accounted or reversed to special reserve based on legal regulations, and accumulated to undistributed earnings (if any further balance exists after the accounting or reversal). The Board of Directors shall draft the proposal for surplus distribution. Such surplus is distributable by a resolution adopted by the shareholders' meeting if adopt distribution approach in the form of shares, and a resolution adopted by the Board of Director if adopting the approach in cash.
- The company's dividend policy is formed under the consideration of its future funding demands and long-term financial planning as well as the interests of shareholders to distribute at least 30% of available profits for revenue allocation as dividends to shareholders annually; and among them, the distribution of cash dividends shall not be less than 20% of the total dividend distribution amount of that particular year.
- Chapter 7 Annexes**
- Article 21 : The matters that are not addressed in the Corporate Charter should be processed in accordance with the Company Law and the related regulations.
- Article 22 : The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).
The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.
The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.
The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.
The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.
The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.

The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.

The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.

The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.

The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.

The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.

The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012.

The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.

The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.

The 34th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.

The 35th amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017.

The 36th amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2018.

The 37th amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2019.

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

- Article 1 :** Purpose
These Operational Procedures are established by the Company to regulate the lending of funds to others for the purpose of maintaining the Company's interests.
Matters not specified in these Procedures shall be handled in accordance with related laws and regulations.
- Article 2 :** Scope of Application
The lending activities of the Company shall be in accordance with these Operational Procedures.
The subsidiaries and parent company referred to in these Operational Procedures shall be recognized according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
The Company's financial statements are prepared based on International Financial Reporting Standards. The net value referred in these Operational Procedure shall refer to the owners' equity on the parent company's balance sheet of the Company's financial statements.
- Article 3 :** Lending Counterparts
Lending counterparts in need of short-term financing shall be limited to a subsidiary in which the Company holds 50% of the voting shares or companies with the de facto control having the need of short-term financing due to business needs.
The phrase "short-term" mentioned above shall mean within one year or a business cycle (whichever is longer).
Foreign companies, of which the Company directly or indirectly holds 100% of the voting shares are directly or indirectly held by the Company may be loaned to all third parties and each individual company with the total values not exceed 40% of the net worth of the borrower companies, and in a loan applicable duration not longer than 5 years.
- Article 4 :** Lending Amount and Financing Limit
The total values of Company capital loaned to all third parties shall not exceed 20% of the Company's net value of the current period, while such value shall not exceed 10% to any individual party receiving the loaned Company capital.
- Article 5 :** Unit in Charge
Unless otherwise specified, the finance unit shall be in charge of lending funds to others.
- Article 6 :** Term of Loan
The term of the loan shall be limited to one year. Loans between the Company and its parent company shall be approved by the Board of Directors and authorization may also be given to the Chairman of the Board, within a certain capital limit for a specific borrowing counterparty and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.
If the Company has established independent directors, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.
- Article 7 :** Methods of Interest Calculation
1. Daily accrual: The amount of interest is calculated by the sum of the daily

loan balance (total cumulative amount) multiplied by the annual interest rate and divided by 365. The annual interest rate shall not be less than Bank of Taiwan's base rate on short-term loan +1% or the Company's cost of funds at that time.

2. Unless otherwise stipulated, the interest on loan shall be deducted from the appropriation of the loan.

Article 8 : Procedures for Fund Lending and Detailed Review

1. Application:

A. When applying for a loan with the Company, a borrower shall submit the application form or an official letter specifying the amount, term and purpose of the loan to the Company's Finance Department.

B. Where a loan is given due to needs arising from business dealings, the finance unit shall evaluate whether the amount of the loan is commensurate with the amount of transactions and in compliance with these Operational Procedures.

C. Where a borrower in need of short-term financing applies for a loan, the Company shall evaluate the necessity of financing and investigate the borrower's credit status.

D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval.

2. Credit Investigation and Risk Assessment

A. For a first-time borrower, the borrower shall provide basic information and financial information to facilitate the credit investigation.

B. For a subsequent borrower, the credit investigation shall be carried out when the borrower applies for the renewal. In case of a major or urgent event, the credit investigation shall be carried out at any time depending on the actual needs.

C. If the borrower is in good financial condition and has had the annual financial statements audited by CPAs, the investigation report made for less than a year and the auditors' report may be adopted as the reference.

D. When carrying out the credit investigation, the Company shall make a detailed assessment of the impact of the loan on the Company's business operations, financial conditions, and shareholders' equity.

3. Contract Signing and Identity Verification

A. The person in charge of lending funds shall fill in the loan contract based on the approved conditions to proceed with the contract signing.

B. After the borrower and the joint guarantor sign the loan contract, the person in charge shall perform the procedures for verifying their identities.

4. Appraisal of Collateral Value and Setting of Rights

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

5. Insurance

Except for land and securities, fire insurance and related insurance shall be purchased for other collaterals at the amount not less than the collateral in pledge. The Company shall be specified as the beneficiary in the insurance policy. The name, quantity, place of storage, and insurance conditions and endorsements of the subject specified in the insurance policy shall be

consistent with the loan conditions approved by the Company.

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

6. Appropriation

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

7. Account Keeping

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

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

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

Article 9 : Control Actions upon the Loans

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

Article 10 : Cancellation of Mortgage

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

Article 11 : Procedures for Disposing of Overdue Debts

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

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

Article 12 : Procedures for Announcement and Report

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

(1) The balance of the loaned funds by the Company and its subsidiaries exceeds 20% of the net value of the Company, as specified in its latest financial statement.

(2) The balance of funds lent to any single entity by the Company and its subsidiaries exceeds 10% of the net worth of the Company, as specified in its latest financial statement.

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

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

2. The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report pursuant to the 3rd subparagraph in the preceding paragraph.

3. The Company shall evaluate the status of loans of funds, and shall set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.

Article 12.1 : Penalty for Violation of These Procedures by Managers and Persons-in-charge
In accordance with the Company’s personnel management regulations and employee handbook, managers and persons-in-charge who violate these Operational Procedures shall be punished based on the severity of violation.

Article 13 : Implementation and Amendment
These Operational Procedures shall be approved by the Board of Directors and then sent to 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.

Article 14 : Procedures for Managing Funds Lent to Subsidiaries:

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

2. Internal auditors of the Company shall perform the audit on the lending of funds of the subsidiaries based on the annual audit plan. In the case that a material violation is found, internal auditors shall continuously follow up the improvements and submit the follow-up report to the Board of Directors and the Audit Committee.

Article 15 : These Procedures were established on May 3, 1997.

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

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

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

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

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

The 6th amendment was made on May 26, 2017.

The 7th amendment was made on May 28, 2019.

Advantech Co., Ltd.
Procedures for Endorsements & Guarantees

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

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

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

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

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

Article 5.1 : Level of Authorization

Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference. In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan containing a timetable to withdraw the excess portion.

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

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

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

2. The finance unit shall examine:

- A. Whether the reason for endorsement is reasonable enough.
- B. Whether it is necessary to measure the amount of endorsement based on the financial status of the guaranteed company.
- C. Whether the accumulated amount is within the limit.
- D. The status of credit and the impact on the Company's business operations, financial conditions, and shareholders' equity.
- E. Whether the amount of endorsement and/or guarantee made due to needs arising from business relationship is commensurate with the amount of transactions in an analysis report.
- F. Whether collateral must be obtained and appraisal of the value thereof.

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

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

Article 7 : Approval and Cancellation of Endorsed Notes:

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

A. Stamp the official seal.

B. Copy the both sides of the endorsed notes and retain it for future reference.

C. Record the endorsed notes in the Endorsement and Cancellation Registry to manage the amount of endorsement.

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

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

Article 8 : Use of Official Seal and Security Procedures:

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

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

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

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

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

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

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

appraisal of the value, and conditions and the date of cancellation of the endorsement/guarantee.

Article 9.1 : Deadline and Standards for Announcement and Report:

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

1. The aggregate balance of endorsements and/or guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net value as stated in the latest financial statement.
2. The balance of endorsements and/or guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net value as stated in the latest financial statement.
3. The balance of endorsements and/or guarantees by the Company and its subsidiaries for an individual enterprise is more than NT\$10 million or the aggregate amount of all endorsements and/or guarantees for long-term nature of 5 investments in, and balance of loans to, such enterprise reaches 30% of the Company's net value as stated in its latest financial statement.
4. The amount of new endorsements and/or guarantees made by the Company or its subsidiaries is more than NT\$30 million or more than 5% of the Company's net value as stated in its latest financial statement.

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

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

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

Article 11.1 : Penalty for Violation of These Procedures by Managers and Persons-in-charge:

In accordance with the Company's personnel management regulations and employee handbook, managers and persons-in-charge who violate these Procedures shall be punished based on the severity of violation.

Article 12 : These Procedures shall be implemented upon approval of the Board of Directors, 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

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

Article 13 : These Procedures were established on May 3, 1997.
The 1st amendment was made on May 2, 2003.
The 2nd amendment was made on June 16, 2006.
The 3rd amendment was made on May 15, 2009.
The 4th amendment was made on May 18, 2010.
The 5th amendment was made on May 26, 2017.

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

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

authorized convening department.

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

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

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

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

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

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

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

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

Article 9 : Deleted

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

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

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

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

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

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

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

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

Article 14 : The shareholders who may have a conflict of interest regarding a motion to be resolved in the shareholders' meeting may not vote on the said motion and may not

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

Advantech Co., Ltd.

Rules for the Election of Directors

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

6.The name of the candidate is same as other shareholder but failed to state the candidate’s shareholder account number or ID Card number for identification.

7.Ballot contains not only the candidate’s name, shareholder account number or ID Card number and the votes of suffrage, but also other unauthorized information.

8. Blank ballots that are casted in the ballot box

9. Ballots that are not casted in the designated voting zone

Article 10 : Ballot inspectors are to verify the validity of any ballot in question. Invalid ballots should be affixed with a “void” mark and a signature or seal at the end of counting votes. Ballot inspectors are to check the sum of the valid and invalid ballots upon the completion of voting and then document the valid votes and suffrage in the form and then the Chairman is to announce the name of the elected candidates publicly.

Article 11 : The Company is to issue a certificate of election to each elected director .

Article 12 : The matters that are not addressed in the “Rules for the Election of Directors and Supervisors” should be processed in accordance with the Company Law, Corporate Charter, and the related regulations.

Article 13 : The “Rules for the Election of Directors and Supervisors” is in effect after it is passed in the shareholders’ meeting, same for the amendments made.

Article 14 : The “Rules for the Election of Directors and Supervisors” was established on May 3, 1997 with the 1st amendment made on April 24, 1999, the 2nd amendment made on May 30, 2002, and the 3rd amendment made on June 15, 2007.

The 4th amendment of the Rules for the Election of Directors and Supervisors was made on May 28, 2015.

Current Shareholding of Directors

1. The paid-in capital of the Company is NTD 7,008,700,100 , with a total of 700,870,010 outstanding shares.
2. According to Article 26 of the Securities and Exchange Act, the minimum number of shares to be held by the entire directors is 22,427,840 shares.
3. As of the date for suspending the share transfer for this shareholders meeting, the shareholding of each individual and entire directors stipulated in the shareholders roster is as follows:

March 30, 2020

Title	Name	Representative	Shareholding on the shareholder's registry	
			Shares	% Ratio (%)
Chairman	K.C. Liu		25,620,886	3.66%
Director	Advantech Foundation.	Chaney Ho	20,288,715	2.89%
Director	AIDC Investment Corp.	Donald Chang	82,097,182	11.71%
Director	Ted Hsu		0	0
Independent Director	Jeff Chen		0	0
Independent Director	Joseph Yu		273	0
Independent Director	Benson Liu		0	0
Total			128,007,056	18.26%

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

Item	Year	2020	
Beginning paid-in Capital (NT\$)		700,410,010	
Dividend Distribution	Cash dividend per share (NT\$)	7.80	
	Stock dividend per share for capital increase from retained earnings (Share)	0.1	
	Stock dividend per share for capital increase from capital reserve (Share)	-	
Business Performance Variation	Operating Profit	N/A	
	Year-on-year increase / decrease (%) of operating profit		
	Net profit after		
	Year-on-year increase / decrease (%) of net profit after tax		
	Earnings per share		
	Year-on-year increase / decrease (%) of earnings per share		
Average return over investment (annualized)			
Pro forma earnings per share and its P/E ratio	If cash dividend is distributed instead of capital increase	Pro forma earnings per share (NTD)	N/A
		Pro forma average return over investment (annualized)	
	If no capital increase from capital reserve	Pro forma earnings per share (NTD)	
		Pro forma average return over investment (annualized)	
	If no capital reserve and cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share (NTD)	N/A
		Pro forma average return over investment (annualized)	