

Stock Code: 2395



Enabling an Intelligent Planet

Advantech Co.,Ltd.

Annual General Shareholders Meeting for 2021

Meeting Handbook

May 27 , 2021

Advantech Co., Ltd.

Procedure for the 2021 General Shareholders' Meeting

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

I. Agenda of Annual Meeting

Advantech Co., Ltd. Agenda of 2021 General Shareholders' Meeting

Time: 9:00 a.m. on May 27 (Tuesday), 2021

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 2020 Business Report

(2) The Audit Committee's Review Report on the 2020 Financial Statements

(3) Status reports of the Cash dividends for Distribution of 2020 Profits

(4) 2020 Employees' and Directors' Remuneration Proposal

(5) The Status of Endorsement and Guarantee in 2020

(6) Report on the Status of Shares-release of the Company's subsidiary LNC Technology Co., Ltd.(LNC) in 2020

4. Acknowledgement Items

(1) Adoption of the 2020 Business Report and Financial Statements

(2) Adoption of the Proposal for Distribution of 2020 Profits

5. Discussion Items

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

(2) Approve of amendment to the "Rules and Procedures of Shareholders' Meeting".

(3) LNC Technology Co., Ltd., a subsidiary of the Company, is planning to apply for listing and OTC listing. In order to comply with relevant laws and regulations, such a plan will be proposed at the Shareholders Meeting to reach a resolution whether to or not to authorize the Board of Directors to implement matters related to the issuance of shares to LNC prior to the filing of the application.

6. Other Business and Special Motions

7. Adjournment

1. Report Items

Report No. 1

- Cause of action : The 2020 Business Reports.
- Explanation : The 2020 Business Report is attached as Attachment I.

Report No. 2

- Cause of action : The Audit Committee's Review Report on the 2020 Financial Statements.
- Explanation : The 2020 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 2020 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\$5,480,813,128 were distributed to shareholders at NT\$7.1 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 : 2020 Employees' and Directors' Remuneration Proposal.
- Explanation :
1. Pursuant to Article 20 of the company's Articles of Incorporation, in consideration of the company's overall business operations and the payment standard of the industry, it is recommended to appropriate an amount of NT\$570,000,000 as bonus to employees and NT\$11,700,000 as remuneration to directors paid in cash from the net income of 2020.
 2. There is no difference between the amount approved by the Board of Directors and the amount recognized as an expense in 2020.
 3. The proposal has passed in the Remuneration Committee meeting.

Report No. 5

- Cause of action : The Status of Endorsement and Guarantee in 2020.
- 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\$3,170,284 thousand as of December 31, 2020, representing 41.07% 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	\$854,400	Under the limit (Note2)
Advantech (ACL)	Advantech Automation Corporation (AAC BVI)	short-term bank loan	USD10,000	284,800	Under the limit (Note2)
Advantech (ACL)	Advantech Corporate Investment	short-term bank loan	USD10,000	284,800	Under the limit (Note2)
Advantech (ACL)	Advantech Japan Co.,LTD.(AJP)	short-term bank loan	JPY500,000	138,000	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)	Advantech Technology (China)Company Ltd. (AKMC)	short-term bank loan	USD6,000	170,880	Under the limit (Note2)
Advantech (ACL)	Advantech Corporate Investment Ltd.	short-term bank loan	USD5,000	142,400	Under the limit (Note2)
Advantech (ACL)	Advantech Service-IoT Co.,Ltd.	short-term bank loan	USD5,000	142,400	Under the limit (Note2)
Advantech (ACL)	Advantech Service-IoT Co., Ltd. Taiwan Branch	short-term bank loan	USD5,000	142,400	Under the limit (Note2)
Advantech (ACL)	B+B SmartWorx Inc.	short-term bank loan	USD5,000	142,400	Under the limit (Note2)
Advantech (ACL)	Advantech Brasil Ltda. (ABR)	short-term bank loan	USD1,500	42,720	Under the limit (Note2)
Advantech (ACL)	Advantech Service-IoT GMBH	short-term bank loan	EUR1,000	35,020	Under the limit (Note2)
Advantech (ACL)	Advantech Vietnam Technology company Limited.(AVN)	short-term bank loan	USD1,000	28,480	Under the limit (Note2)
Advantech (ACL)	Advantech Technology LLC	short-term bank loan	USD1,000	28,480	Under the limit (Note2)
Advantech (ACL)	Cermate Technologies Inc. (Cermate)	short-term bank loan	USD1,000	28,480	Under the limit (Note2)
Advantech (ACL)	Shenzhen Cermate Technologies Inc.	short-term bank loan	USD1,000	28,480	Under the limit (Note2)
Advantech (ACL)	Advantech B+B SmartWorx s.r.o.	short-term bank loan	USD500	14,240	Under the limit (Note2)
Advantech (ACL)	Advantech Turkey Teknoloji Anonim Sirketi (ATR)	short-term bank loan	USD500	14,240	Under the limit (Note2)

Advantech (ACL)	Advanixs Corp.	short-term bank loan	USD500	14,240	Under the limit (Note2)
Advantech (ACL)	Advantech Australia Pty Limited.(AAU)	short-term bank loan	USD200	5,696	Under the limit (Note2)
Advantech (ACL)	Advantech Intelligent City Services Co., Ltd.	short-term bank loan	USD3,000	85,440	Under the limit (Note2)
Advantech (ACL)	Advantech Intelligent Healthcare Co.,Ltd.	short-term bank loan	USD3,000	85,440	Under the limit (Note2)
Advantech (ACL)	Advantech KR Co., Ltd	short-term bank loan	USD6,050	172,304	Under the limit (Note2)
Advantech (ACL)	ACI IOT Investment Fund-I Corporation	short-term bank loan	USD200	5,696	Under the limit (Note2)
Advantech (ACL)	Advantech Co.Malaysia SDN BHD	short-term bank loan	USD100	2,848	Under the limit (Note2)
Total				\$3,170,284	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\$10,323,047 thousand.
- (2) Maximum endorsement and guarantee for one single enterprise amounted to NT\$3,441,016 thousand.
- (3) The amount of limit referred to above is calculated in accordance with the net value NT\$34,410,156 thousand stated in the 2020 audited financial statements.

Report No. 6

Cause of action : Report on the Status of Shares-release of the Company's subsidiary LNC Technology Co., Ltd. (LNC) in 2020.

Explanation : In the midst of the US-China Trade War and the impact of COVID-19 epidemic from early 2020, the global economy went downward. We planned to have the key management level of LNC Technology Co., Ltd. (LNC) assume more operational responsibilities, boost the morale of the staff, and reach the long-term development of both employees and the Company to jointly generate shareholders benefits. Under the circumstance that LNC was facing losses according to its financial report as of February 2020, 1,500,000 shares of the Company were issued from March to April 2020 at the price of NT\$18 per share, a price higher than the net value per share, to the management level of LNC. By doing so, the Company's shareholding ratio dropped from 64.10% to 59.10%.

2. Acknowledgement Items

Acknowledgement 1:

(Proposed by the Board of Directors)

Cause of action : Adoption of the 2020 Business Report and Financial Statements.

Explanation : 1. The 2020 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 Kwan-Chung Lai, 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 2020 Earnings.

Explanation : 1. Please refer to the 2020 profit distribution table in Attachment IV.
2. The net income of the company amounted to NT\$7,247,955,048 for 2020. Add the beginning un appropriated earnings of NT\$4,569,161,393 and deducted investments accounted for using the equity method adjusted in retained earnings NT\$47,442,827 , remeasurements of the defined benefit recognized in retained earnings NT\$20,332,628 , 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\$9,827,838 , the legal reserve of NT\$717,035,176 and reversed special reserve of NT\$14,142,758 , the distributable earnings for 2020 amounted to NT\$11,036,620,730 resulted to be distributed as follows:
(1) The amounts of NT\$5,480,813,128 out of the 2020 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively.
There were 771,945,511 shares of common stock outstanding on December 31, 2020 that are entitled to the distribution of shareholder's dividend at NT\$7.1 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 Items

Discussion 1

(Proposed by the Board of Directors)

- Cause of action : Amendment to the Company's "Articles of Incorporation". Please proceed to discuss.
- 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 : Amendment to the "Rules and Procedures of Shareholders' Meeting". Please proceed to discuss.
- 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 VI.
- Resolution :

Discussion 3

(Proposed by the Board of Directors)

- Cause of action : LNC Technology Co., Ltd., a subsidiary of the Company, is planning to apply for listing and OTC listing. In order to comply with relevant laws and regulations, such a plan will be proposed at the Shareholders Meeting to reach a resolution whether to or not to authorize the Board of Directors to implement matters related to the issuance of shares to LNC prior to the filing of the application.
- Explanation :
 1. In order to assist LNC in developing, and attracting/retaining professional talents, it is planned to apply for listing and OTC listing. In order to meet the requirements of ownership distribution standards and legal regulations, the Company may implement matters related to the issuance of shares to LNC. The number of shares issued shall not exceed 9,000, and the issuance procedure may be carried out at one time or in installments.
 2. The number of shares of the first issuance shall be 3,300. All of the Company shareholders are given priority to receive the shares issued. The shareholders specified in the shareholder register of the most recent closing date may in priority subscribe the shares based on their shareholding ratios at the time of subscription. Shares that shareholders waive to subscribe or the odd share less than one share shall be subscribed by the personnel designated by the Board of Directors.
 3. The subscription price for the first share issuance shall be no less than NT\$28 per share. After the General Meeting of Shareholders of 2021 reaches resolution regarding the above-mentioned issuance plan, the shareholders' meeting will authorize the Board of Directors to set the subscription record date and other related matters.
 4. The proposals of the subscription price and the number of shares for subsequent issuances shall be submitted to the shareholders meeting to reach a resolution for authorizing the Board of Directors to implement further procedures under the circumstances of not damaging the rights of the Company's shareholders and in consideration of the Company's operating performance, market environment, future growth and the market conditions of the industry.
 5. The remaining number of shares of issuance serves the purpose of the

Company's application for registration at the emerging stock market and OTC listing. The Company will also comply with relevant laws and regulations to carry out relevant procedures such as allocating a certain percentage of the shares for subscription by securities dealers and over-allotment, etc. The number and price of shares allocated shall be jointly determined with the lead underwriter based on relevant laws and regulations, current market conditions, and the Company's profitability.

Resolution :

4. Other Business and Special Motions

5. Adjournment

ATTACHMENTS

II. Attachments

<Attachment I>

Business Report

Dear shareholders:

Thank you for your long-term support and encouragement. With the efforts of all Advantech employees, the operating performance in 2020 is as follows:

In 2020, Advantech reported consolidated revenue of NT\$51.1 billion, which represents a 5.6% year-over-year decrease compared to NT\$54.1 billion in 2019. Net income for year 2020 were reported as NT\$7.24 billion, which also represents a 1.4% YoY decline. Earnings per share (EPS) for year 2020 were NT\$9.40 with gross profit margin and operating margin reached 39.9% and 17.7%, respectively.

By business segment, the annual revenue growth rates of Embedded-IoT Group, Allied DMS and Service-IoT Group were -11%, -10% and -5%. In addition, the Industrial-IoT Group has reported a 2% YoY revenue growth, due to demands for semiconductor production line automation and AIoT infrastructure. In US dollar term, Advantech achieved US\$1.73 billion revenue in 2020, with a 1.1% YoY decrease compared to US\$1.755 billion for year 2019.

Under the impact of the COVID-19 pandemic, the overall performance in 2020 resulted in a slight decline in both revenue and profit for the first time within the past 10 years. However, with vaccination ongoing and the continuous construction of AI and 5G, we are looking forward with some cautious optimism for the IoT industry. In addition to working on the Industrial IoT phase I business of the Embedded Computing Platform, we constantly press on developing integrated software and hardware solutions. Furthermore, apart from the establishment of the Solution BU, there will be dedicated Peak Sales and global co-creation partners to jointly carry out sales of Industrial IoT phase II and phase III business of AIoT solutions. By taking advantage of packaged products (Edge Devices & Gateway, I.Apps and Solution Suites) and leveraging with system integrators' added value services, we created a global replicable sales model of product standardization and industry specialization to boost high revenue growth and stabilize profit margins.

Furthermore, in order not to be affected by the global pandemic, Advantech has made its annual global partner conference into a three-week of continuous online forum called Advantech Connect, in the Greater China region. Through innovative technology, we conveyed the annual strategy to partner customers in the most efficient way. Advantech Connect received online registration numbers of 70,000 people to join the events.

During this time of pandemic, Advantech launched its five-year visionary plan. By 2025, it is expected that Advantech will become one of the top 10 leading Industrial IoT platform providers and propel the vigorous development of intelligent manufacturing, smart city, and smart service ecosystems, promote the implementation of IoT solutions, and obtain maximum customer success. The five visions are listed below:

- 1) Globally Integrated Regional Competence (GIRC): globally integrate operating and local core capabilities. The four regional headquarters develop talent and industrial ecology by utilizing local core capabilities to achieve superior local service value and demonstrate leading international competitiveness.
- 2) Online Target Marketing & Focus AOnline (FAO): by using data-driven precision marketing, lead comprehensive digital transformation of sales and make Advantech become a leading industrial IoT e-commerce brand.
- 3) Digital Transformation of Global Operations: through agile product development, a transparent supplier network, and regional strategic services, we realized the global digital operation model 3.0 and became the most competitive enterprise in the IoT era.
- 4) Wise Series, Phase II/III AIoT Paradigm Shift: with WISE-PS, WISE-M, and A+App, support the popularization of AIoT service deployment in various industries. Gain a foothold in the world's top ten industrial IoT software platforms and join hands with ecosystem partners to embrace the digital transformation business opportunities.
- 5) Staff Empowerment, Culture & ESG: become the most in-demand company for talent in the IoT field and cultivate talent through multiple channels to achieve success for Advantech and co-creation partners. Attach importance to environmental, social, and corporate governance (ESG) issues, practice LITA (altruistic) corporate philosophy, and become an intelligent enabler of a sustainable planet.

We have been focusing on branding since Advantech's establishment, and currently have offices in 27 countries around the world. In 2020, Advantech has been named the fourth place on the Best Global Taiwan Brands with the brand value of US\$626 million and 13% growth rate. In order to promote ESG, we have set three main goals. Firstly, Green Operations: to cover green product design and green operations, adopt BEMS (Building Energy Management Systems) to introduce a corresponding management system and implement energy saving and carbon footprint reduction in response to international standard initiatives. Secondly, AIoT Popularization: to popularize IoT and share its benefits. Use the WISE-PaaS platform to cultivate creative talents and innovative solutions, and support AIoT education in 50 universities around the world. Finally, Community Enrichment: seek the common good for employees and the society. In addition to the Advantech employee platform, ABLE Club, we offer diverse channels to

cultivate talent, continue meaningful initiatives, and aim for corporate sustainability. Our consistent goal has always been to find the right balance and seek the common good of four dimensions, society, shareholders, customers, and employees.

Advantech Co., Ltd.

Chairman K.C. Liu

President Eric Chen

Miller Chang

Linda Tsai

Chief Financial officer Mandy Lin

Audit Committee's Review Report

The Company's 2020 Financial Statements have been agreed by Audit Committee members of the Company and approved by the Board of Directors. The CPA firm of Deloitte & Touche was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements.

The Board of Directors has prepared the Company's 2020 Business Report and proposal for allocation of profits. The 2020 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 05, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 are as follows:

Assessment of Provision for Inventory Write-downs

As of December 31, 2020, inventories amounted to NT\$7,813,550 thousand and accounted for 15% of the total assets in the Group's consolidated financial statements, which represented a significant percentage of the total assets.

Due to the rapid changes in technological environment and industrial characteristics, inventories of the Group are available in different sizes and types. They are measured at the lower of cost or net realizable value and calculated according to the proportion of potential impairment for aged inventories. After analyzing the method of inventory valuation, we noticed that the provision for obsolete inventories was recognized based on the number of days inventory were not moving. Therefore, the assessment of inventory write-downs has a significant impact on the Group's consolidated financial statements and the provision for inventory write-downs was deemed to be a key audit matter.

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

1. We assessed and analyzed the Group's policies for the provision of inventory write-downs and compared them with other competitors' policies to affirm the reasonableness and consistency of application.
2. We obtained an understanding of the internal controls, evaluated and tested the design and operating effectiveness of these controls over the provision for inventory write-downs.
3. We reviewed the historical inventory aging reports together with the list of any subsequently scrapped items and assessed the reasonableness of ratios for recognizing loss provision for aged inventories.
4. We verified the appropriateness of source data, parameters and logic used in the Group's inventory aging analysis reports.

Sales Revenue from Significant Product Lines and Customers

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

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

1. We analyzed the trend of the industry, categories of revenue, product lines and customer categories for two consecutive years and confirmed that there were no abnormal situations or centralized trading which put revenue recognition at risk.
2. We interviewed personnel who carried out the control activities and reviewed the related internal vouchers, obtained an understanding of the internal controls related to revenue recognition and evaluated the design, implementation, and operating effectiveness of these controls over revenue recognition. We tested such internal controls to obtain sufficient and appropriate audit evidence regarding the effectiveness of key controls.
3. We obtained details of accounts, analyzed their balances and reconciled them with general ledgers; we traced source documents to general ledgers.

4. We determined the appropriate methods of sampling and sample sizes and audited sales orders, packing lists and export declarations and verified the accuracy of amount recognized as revenue in accordance with the regulations for the preparation of financial reports.
5. We checked the cash receipt records and vouchers and verified the accuracy of their amounts, and confirmed that the remitter was the customer who received the goods; thus, the sales were valid.

Sales Revenue from Processing of Imported Materials

Since the Group operates in a highly competitive industry, there is a risk of revenue recognition due to the strong sales demand. We obtained an understanding of the purchase and sales transactions of the customers and analyzed whether the simultaneous increase in the Group's sales revenue and cost of goods sold was due to the processing of imported materials. Therefore, we considered the Group's sales revenue as a key audit matter.

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

1. We compared the details and assessed for any simultaneous purchase and sales transactions, obtained an understanding of the transaction pattern, checked relevant evidence to confirm the processing of imported materials, and identified the potential risks.
2. We interviewed personnel who carried out the control activities and reviewed the related internal vouchers, obtained an understanding of the internal controls related to revenue recognition and evaluated the design, implementation, and operating effectiveness of these controls over revenue recognition.
3. We obtained the consumption calculation table of materials specified by the customers and verified its source data, logic and parameters used.
4. We confirmed that sales revenue and cost of goods sold had been deducted based on the consumption calculation table in accordance with the applicable accounting policies for revenue recognition.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019 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, 2020 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 audits resulting in this independent auditors' report are Jr-Shian Ke and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 7,497,442	15	\$ 6,003,936	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	5,493,150	11	3,647,963	8
Financial assets at amortized cost - current (Notes 4, 9 and 33)	162,602	-	316,994	1
Notes receivable (Notes 4 and 10)	1,893,043	4	1,546,340	3
Trade receivables (Notes 4 and 10)	6,858,742	14	7,265,106	15
Trade receivables from related parties (Notes 4 and 32)	28,750	-	20,174	-
Other receivables	51,885	-	101,378	-
Other receivables from related parties (Note 32)	4,633	-	29	-
Inventories (Notes 4 and 11)	7,813,550	15	7,782,824	17
Other current assets (Note 32)	483,739	1	688,167	1
Total current assets	30,287,536	60	27,372,911	58
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	77,950	-	101,156	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	1,814,233	4	1,639,321	4
Investments accounted for using the equity method (Notes 4 and 13)	3,404,345	7	3,009,860	6
Property, plant and equipment (Notes 4, 14 and 33)	9,916,896	20	9,732,490	21
Right-of-use assets (Notes 4 and 15)	599,005	1	723,106	2
Goodwill (Notes 4 and 16)	2,464,315	5	2,519,514	5
Other intangible assets (Notes 4 and 17)	683,031	1	980,061	2
Deferred tax assets (Notes 4 and 23)	723,627	2	690,212	1
Prepayments for business facilities	167,579	-	389,221	1
Other non-current assets	60,868	-	58,227	-
Total non-current assets	19,911,849	40	19,843,168	42
TOTAL	\$ 50,199,385	100	\$ 47,216,079	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 184,078	-	\$ 250,678	1
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	21,044	-	521	-
Notes payable and trade payables (Notes 4 and 32)	4,326,447	9	4,886,018	10
Other payables (Note 19)	3,928,365	8	3,645,402	8
Current tax liabilities (Notes 4 and 23)	2,315,461	5	1,522,874	3
Short-term warranty provisions (Note 4)	164,086	-	208,611	1
Lease liabilities - current (Notes 4 and 15)	221,250	-	199,493	-
Current portion of long-term borrowings (Notes 18 and 33)	-	-	7,957	-
Other current liabilities	935,477	2	1,022,904	2
Total current liabilities	12,096,208	24	11,744,458	25
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 33)	-	-	36,132	-
Current tax liabilities - non-current (Notes 4 and 23)	291,961	1	-	-
Deferred tax liabilities (Notes 4 and 23)	2,142,428	4	1,942,189	4
Lease liabilities - non-current (Notes 4 and 15)	87,781	-	242,263	1
Net defined benefit liabilities (Notes 4 and 20)	403,488	1	384,914	1
Other non-current liabilities	131,096	-	134,663	-
Total non-current liabilities	3,056,754	6	2,740,161	6
Total liabilities	15,152,962	30	14,484,619	31
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)				
Share capital				
Ordinary shares	7,719,455	16	6,999,230	15
Advance receipts for share capital	3,090	-	4,870	-
Total share capital	7,722,545	16	7,004,100	15
Capital surplus	7,913,754	16	7,397,029	16
Retained earnings				
Legal reserve	7,020,201	14	6,285,079	13
Special reserve	845,993	2	798,763	2
Unappropriated earnings	11,739,513	23	11,515,121	24
Total retained earnings	19,605,707	39	18,598,963	39
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(1,006,635)	(2)	(878,261)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	173,308	-	30,970	-
Other equity - unearned stock-based employee compensation	1,477	-	1,298	-
Total other equity	(831,850)	(2)	(845,993)	(2)
Total equity attributable to owners of the Company	34,410,156	69	32,154,099	68
NON-CONTROLLING INTERESTS	636,267	1	577,361	1
Total equity	35,046,423	70	32,731,460	69
TOTAL	\$ 50,199,385	100	\$ 47,216,079	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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 32)				
Sales	\$ 49,675,234	97	\$ 52,920,615	98
Other operating revenue	<u>1,444,174</u>	<u>3</u>	<u>1,224,047</u>	<u>2</u>
Total operating revenue	51,119,408	100	54,144,662	100
OPERATING COSTS (Notes 11, 22 and 32)	<u>30,723,147</u>	<u>60</u>	<u>33,045,300</u>	<u>61</u>
GROSS PROFIT	<u>20,396,261</u>	<u>40</u>	<u>21,099,362</u>	<u>39</u>
OPERATING EXPENSES (Notes 10, 22 and 32)				
Selling and marketing expenses	4,762,890	9	5,088,059	9
General and administrative expenses	2,551,504	5	2,542,918	5
Research and development expenses	4,055,922	8	4,223,422	8
Expected credit loss (reversal of impairment loss)	<u>(10,608)</u>	<u>-</u>	<u>11,461</u>	<u>-</u>
Total operating expenses	<u>11,359,708</u>	<u>22</u>	<u>11,865,860</u>	<u>22</u>
OPERATING PROFIT	<u>9,036,553</u>	<u>18</u>	<u>9,233,502</u>	<u>17</u>
NON-OPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 13)	166,036	-	122,820	-
Interest income	39,632	-	45,498	-
Gains (losses) on disposal of property, plant and equipment	(25,293)	-	38,558	-
Gains (losses) on disposal of investments	(574)	-	(20,934)	-
Gains (losses) on financial instruments at fair value through profit or loss (Note 7)	8,571	-	143,852	-
Impairment losses (Notes 16 and 17)	(245,917)	-	(386,153)	(1)
Foreign exchange gains (losses), net (Notes 22 and 34)	(37,298)	-	(94,600)	-
Dividend income	99,326	-	100,197	-
Other income (Notes 26 and 32)	113,504	-	156,188	1
Finance costs (Note 22)	(20,176)	-	(25,041)	-
Other losses	<u>(6,003)</u>	<u>-</u>	<u>(6,007)</u>	<u>-</u>
Total non-operating income	<u>91,808</u>	<u>-</u>	<u>74,378</u>	<u>-</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 9,128,361	18	\$ 9,307,880	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(1,825,374)</u>	<u>(4)</u>	<u>(1,915,025)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>7,302,987</u>	<u>14</u>	<u>7,392,855</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(21,879)	-	(15,057)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Notes 13 and 21)	(2,733)	-	21,934	-
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income (Note 21)	132,470	-	307,604	1
Income tax relating to items that will not be reclassified (Note 23)	4,385	-	3,012	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 21)	(151,818)	-	(489,250)	(1)
Share of other comprehensive losses of associates (Notes 13 and 21)	(21,431)	-	(22,272)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	<u>32,093</u>	<u>-</u>	<u>100,754</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(28,913)</u>	<u>-</u>	<u>(93,275)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,274,074</u>	<u>14</u>	<u>\$ 7,299,580</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,247,955	14	\$ 7,351,220	14
Non-controlling interests	<u>55,032</u>	<u>-</u>	<u>41,635</u>	<u>-</u>
	<u>\$ 7,302,987</u>	<u>14</u>	<u>\$ 7,392,855</u>	<u>14</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,231,759	14	\$ 7,265,801	13
Non-controlling interests	<u>42,315</u>	<u>-</u>	<u>33,779</u>	<u>-</u>
	<u>\$ 7,274,074</u>	<u>14</u>	<u>\$ 7,299,580</u>	<u>13</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)				
Basic	<u>\$ 9.40</u>		<u>\$ 9.56</u>	
Diluted	<u>\$ 9.27</u>		<u>\$ 9.44</u>	

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

(Concluded)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 9,128,361	\$ 9,307,880
Adjustments for:		
Depreciation expense	792,808	807,586
Amortization expense	175,394	210,206
Expected credit loss recognized (reversal of impairment loss)	(10,608)	11,461
Net gain on financial assets or liabilities at fair value through profit or loss	(8,571)	(143,852)
Compensation costs of employee share options	365,248	295,427
Finance costs	20,176	25,041
Interest income	(39,632)	(45,498)
Dividend income	(99,326)	(100,197)
Share of profit of associates accounted for using the equity method	(166,036)	(122,820)
Net loss (gain) on disposal of property, plant and equipment	25,293	(38,558)
Impairment loss	245,917	386,153
Net loss on disposal of subsidiaries	-	21,619
Net loss (gain) on disposal of investments	574	(685)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,792,887)	(1,603,672)
Notes receivable	(346,703)	(84,936)
Trade receivables	416,710	201,893
Trade receivables from related parties	(8,576)	(1,205)
Other receivables	44,889	(53,956)
Inventories	(29,767)	215,450
Other current assets	204,660	(171,757)
Notes payable and trade payables	(559,582)	(1,353,468)
Net defined benefit liabilities	(3,305)	(7,878)
Other payables	284,784	(54,237)
Short-term warranty provisions	(44,525)	11,829
Other current liabilities	(87,430)	244,579
Other non-current liabilities	(3,600)	(14,508)
Cash generated from operations	8,504,266	7,941,897
Interest received	39,632	45,498
Dividends received	99,326	100,197
Interest paid	(3,957)	(6,865)
Income tax paid	(560,701)	(1,885,258)
Net cash generated from operating activities	8,078,566	6,195,469
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(44,719)	(37,354)
Acquisition of financial assets at amortized cost	(651,249)	-
Disposal of financial assets at amortized cost	790,975	(165,161)

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Acquisition of investments accounted for using the equity method	\$ (383,086)	\$ (497,232)
Net cash outflow on the acquisition of subsidiaries (net carrying amount of cash)	(2,724)	(542,156)
Net cash outflow on disposal of subsidiaries	-	(81)
Dividends received from associates	163,216	117,774
Net cash inflow on disposal of associates	7,656	830
Payments for property, plant and equipment	(619,025)	(938,035)
Proceeds from disposal of property, plant and equipment	46,086	443,132
Decrease in refundable deposits	(2,641)	(10,271)
Payments for intangible assets	(136,448)	(153,608)
Decrease (increase) in prepayments for equipment	<u>23,075</u>	<u>(23,652)</u>
Net cash used in investing activities	<u>(808,884)</u>	<u>(1,805,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(65,200)	56,506
Repayments of long-term borrowings	(42,393)	(9,270)
Increase (decrease) in guarantee deposits received	28	(561)
Payments of cash dividends	(5,463,198)	(4,751,129)
Payment of the principal portion of lease liabilities	(239,314)	(221,264)
Exercise of employee share options	139,687	140,436
Dividends paid to non-controlling interests	(11,443)	(14,039)
Increase in non-controlling interests	<u>(32,724)</u>	<u>71,557</u>
Net cash used in financing activities	<u>(5,714,557)</u>	<u>(4,727,764)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(61,619)</u>	<u>(291,116)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,493,506	(629,225)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,003,936</u>	<u>6,633,161</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,497,442</u>	<u>\$ 6,003,936</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 are as follows:

Assessment of Provision for Inventory Write-downs

As of December 31, 2020, inventories amounted to NT\$3,697,499 thousand and accounted for 8% of the total assets in the Company's financial statements, which represented a significant percentage of the total assets.

Due to the rapid changes in technological environment and industrial characteristics, inventories of the Company are available in different sizes and types. They are measured at the lower of cost or net realizable value and calculated according to the proportion of potential impairment for aged inventories. After analyzing the method of inventory valuation, we noticed that the provisions for obsolete inventories was based on the number of days inventory were not moving. Therefore, the assessment of inventory write-downs has a significant impact on the Company's financial statements and the provision for inventory write-downs was deemed to be a key audit matter.

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

1. We assessed and analyzed the Company's policies for the provision of inventory write-downs and compared them with other competitors' policies to affirm the reasonableness and consistency of application.
2. We obtained an understanding of the internal controls, evaluated and tested the design and operating effectiveness of these controls over the provision for inventory write-downs.
3. We reviewed the historical inventory aging reports together with the list of any subsequently scrapped items and assessed the reasonableness of ratios for recognizing loss provision for 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 a highly competitive industry, there is a risk of revenue recognition due to the strong sales demand and the need to remain competitive. We obtained an understanding of the purchase and sales transactions of the customer and analyzed whether simultaneous increase in the Company's sales revenue and cost of goods sold was due to the processing of imported materials. Therefore, we considered the Company's sales revenue as a key audit matter.

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

1. We compared the details and assessed for any simultaneous purchase and sales transactions, obtained an understanding of the transaction pattern, checked relevant evidence to confirm the processing of imported materials, and identified the potential risks.
2. We interviewed personnel who carried out the control activities and reviewed the related internal vouchers, obtained an understanding of the internal controls related to revenue recognition and evaluated the design, implementation, and operating effectiveness of these controls over revenue recognition.
3. We obtained the consumption calculation table of materials specified by the customers and verified its source data, logic and parameters used.
4. We confirmed that sales revenue and cost of goods sold had been deducted based on the consumption calculation table in accordance with the applicable accounting policies for revenue recognition.

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, 2020 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 audits resulting in this independent auditors' report are Jr-Shian Ke and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,062,596	5	\$ 1,816,875	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	3,652,818	8	1,641,753	4
Notes receivable (Notes 4 and 9)	20,508	-	34,180	-
Notes receivable from related parties (Notes 4 and 27)	6,775	-	-	-
Trade receivables (Notes 4 and 9)	1,131,586	2	1,312,920	3
Trade receivables from related parties (Notes 4 and 27)	4,936,420	11	5,217,377	12
Other receivables	131,950	-	138,222	-
Other receivables from related parties (Note 27)	26,355	-	17,080	-
Inventories (Notes 4, 5 and 10)	3,697,499	8	3,617,906	9
Other current assets	54,446	-	58,377	-
Total current assets	15,720,953	34	13,854,690	32
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 26)	1,332,435	3	1,224,385	3
Investments accounted for using the equity method (Notes 4 and 11)	21,703,009	47	20,365,258	48
Property, plant and equipment (Notes 4 and 12)	6,549,679	14	6,597,256	16
Right-of-use assets (Notes 4 and 13)	7,860	-	11,833	-
Goodwill (Notes 4 and 14)	111,599	1	111,599	-
Other intangible assets (Note 4)	107,986	-	106,637	-
Deferred tax assets (Notes 4 and 19)	484,765	1	455,149	1
Prepayments for equipment	46,051	-	32,228	-
Other non-current assets	6,132	-	8,429	-
Total non-current assets	30,349,516	66	28,912,774	68
TOTAL	\$ 46,070,469	100	\$ 42,767,464	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 26)	\$ 21,044	-	\$ 521	-
Notes payable and trade payables	2,170,501	5	2,319,108	5
Trade payables to related parties (Note 27)	1,793,372	4	2,087,930	5
Other payables (Note 15)	2,492,198	5	2,411,864	6
Other payables to related parties (Note 27)	64,173	-	63,884	-
Current tax liabilities (Notes 4 and 19)	2,170,762	5	1,329,258	3
Short-term warranty provisions (Note 4)	60,663	-	63,223	-
Lease liabilities - current (Notes 4 and 13)	3,044	-	5,446	-
Other current liabilities	215,943	-	192,551	1
Total current liabilities	8,991,700	19	8,473,785	20
NON-CURRENT LIABILITIES				
Current tax liabilities - non-current (Notes 4 and 19)	291,961	1	-	-
Deferred tax liabilities (Notes 4 and 19)	2,030,161	4	1,776,054	4
Lease liabilities - non-current (Notes 4 and 13)	4,678	-	6,438	-
Net defined benefit liabilities (Notes 4 and 16)	284,398	1	266,582	1
Other non-current liabilities (Note 11)	57,415	-	90,506	-
Total non-current liabilities	2,668,613	6	2,139,580	5
Total liabilities	11,660,313	25	10,613,365	25
EQUITY (Notes 4 and 17)				
Share capital				
Ordinary shares	7,719,455	17	6,999,230	16
Advance receipts for share capital	3,090	-	4,870	-
Total share capital	7,722,545	17	7,004,100	16
Capital surplus	7,913,754	17	7,397,029	17
Retained earnings				
Legal reserve	7,020,201	15	6,285,079	15
Special reserve	845,993	2	798,763	2
Unappropriated earnings	11,739,513	26	11,515,121	27
Total retained earnings	19,605,707	43	18,598,963	44
Other equity				
Exchange differences on translation of the foreign financial statements of foreign operations	(1,006,635)	(2)	(878,261)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	173,308	-	30,970	-
Other equity - unearned employee compensation	1,477	-	1,298	-
Total other equity	(831,850)	(2)	(845,993)	(2)
Total equity	34,410,156	75	32,154,099	75
TOTAL	\$ 46,070,469	100	\$ 42,767,464	100

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

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 27)				
Sales	\$ 33,968,304	99	\$ 36,246,058	99
Other operating revenue	<u>422,738</u>	<u>1</u>	<u>385,989</u>	<u>1</u>
Total operating revenue	34,391,042	100	36,632,047	100
OPERATING COSTS (Notes 10, 18 and 27)	<u>23,076,590</u>	<u>67</u>	<u>24,903,412</u>	<u>68</u>
GROSS PROFIT	11,314,452	33	11,728,635	32
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(612,224)	(2)	(695,422)	(2)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>695,422</u>	<u>2</u>	<u>665,475</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>11,397,650</u>	<u>33</u>	<u>11,698,688</u>	<u>32</u>
OPERATING EXPENSES (Notes 18 and 27)				
Selling and marketing expenses	654,808	2	669,164	2
General and administrative expenses	862,047	3	758,743	2
Research and development expenses	2,916,152	8	3,022,801	8
Expected credit loss (reversal of impairment loss)	<u>(7,247)</u>	<u>-</u>	<u>6,624</u>	<u>-</u>
Total operating expenses	<u>4,425,760</u>	<u>13</u>	<u>4,457,332</u>	<u>12</u>
OPERATING PROFIT	<u>6,971,890</u>	<u>20</u>	<u>7,241,356</u>	<u>20</u>
NON-OPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,616,477	5	1,443,177	4
Interest income (Note 4)	468	-	762	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	(1,881)	-	45,613	-
Foreign exchange losses, net (Notes 4, 18 and 28)	(21,429)	-	(75,031)	-
Losses on disposal of investments	(1,525)	-	-	-
Gains (losses) on financial instruments at fair value through profit or loss (Note 4)	(20,695)	-	37,815	-
Dividend income (Note 4)	70,673	-	77,812	-
Other income (Notes 22 and 27)	127,456	-	109,275	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Finance costs (Note 18)	\$ (710)	-	\$ (2,293)	-
Other losses	<u>(84)</u>	<u>-</u>	<u>(69)</u>	<u>-</u>
Total non-operating income	<u>1,768,750</u>	<u>5</u>	<u>1,637,061</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	8,740,640	25	8,878,417	24
INCOME TAX EXPENSE (Notes 4 and 19)	<u>1,492,685</u>	<u>4</u>	<u>1,527,197</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>7,247,955</u>	<u>21</u>	<u>7,351,220</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	(22,010)	-	(14,764)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Note 17)	21,736	-	21,804	-
Unrealized gains (losses) on investment in equity instruments as at fair value through other comprehensive income (Note 17)	108,050	-	307,604	1
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	4,402	-	2,953	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 17)	(139,036)	-	(481,498)	(1)
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 17)	(21,431)	-	(22,272)	-
Income tax relating to item that may be reclassified subsequently to profit (Notes 4, 17 and 19)	<u>32,093</u>	<u>-</u>	<u>100,754</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(16,196)</u>	<u>-</u>	<u>(85,419)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,231,759</u>	<u>21</u>	<u>\$ 7,265,801</u>	<u>20</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 9.40</u>		<u>\$ 9.56</u>	
Diluted	<u>\$ 9.27</u>		<u>\$ 9.44</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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Issued Capital (Notes 17 and 21)		Capital Surplus (Notes 17 and 21)		Retained Earnings (Note 17)		Exchange Differences on Translation of the Financial Statements of Foreign Operations		Other Equity (Note 17)	
	Share Capital	Advance Receipts for Ordinary Share	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-Based Employee Compensation	Total Equity
BALANCE AT JANUARY 1, 2019 AS RESTATED	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 5,655,613	\$ 369,655	\$ 10,011,231	\$ 16,036,499	\$ (475,245)	\$ 736	\$ 29,216,500
Appropriation of the 2018 earnings	-	-	-	629,466	-	(629,466)	-	-	-	-
Legal reserve	-	-	-	(429,108)	429,108	(429,108)	-	-	-	-
Special reserve	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	(4,751,129)
Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the Company	16,955	190	17,145	-	-	-	-	-	-	140,436
Compensation costs recognized for employee share options	-	-	-	-	-	-	-	-	-	295,427
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	-	-	-	-	-	562	(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	-	-	-	-	-	(13,258)	(13,258)	(403,016)	-	(85,419)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	7,337,962	7,337,962	(403,016)	-	7,265,801
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	(24,369)	(24,369)	-	-	-
BALANCE AT DECEMBER 31, 2019	6,999,230	4,870	7,004,100	6,285,079	798,763	11,515,121	18,598,963	(878,261)	1,298	32,154,099
Appropriation of the 2019 earnings	-	-	-	735,122	-	(735,122)	-	-	-	-
Legal reserve	-	-	-	(47,230)	47,230	(47,230)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(5,463,198)	(5,463,198)	-	-	(5,463,198)
Share dividends distributed by the Company	700,410	-	700,410	-	-	(700,410)	(700,410)	-	-	-
Recognition of employee share options by the Company	19,815	(1,780)	18,035	-	-	-	-	-	-	139,687
Compensation costs recognized for employee share options	-	-	-	-	-	-	-	-	-	365,248
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	-	-	-	-	-	179	43,319
Differences between consideration paid and carrying amounts of subsidiaries acquired or disposed of	-	-	-	-	-	(34,762)	(34,762)	-	-	(43,440)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(12,681)	(12,681)	-	-	(17,318)
Net profit for the year ended December 31, 2020	-	-	-	-	-	7,247,955	7,247,955	-	-	7,247,955
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(20,332)	(20,332)	(128,374)	-	(16,196)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	7,227,623	7,227,623	(128,374)	-	7,231,759
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	(9,828)	(9,828)	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 7,719,455	\$ 3,090	\$ 7,722,545	\$ 7,020,201	\$ 845,993	\$ 11,729,413	\$ 19,605,707	\$ (1,006,635)	\$ 1,477	\$ 34,410,156

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

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,740,640	\$ 8,878,417
Adjustments for:		
Depreciation expense	240,113	245,332
Amortization expense	93,810	100,070
Expected credit loss recognized	(7,247)	6,624
Net loss on financial assets or liabilities at fair value through profit or loss	20,695	37,815
Financial costs	710	2,293
Interest income	(468)	(762)
Dividend income	(70,673)	(77,812)
Compensation costs of employee share options	365,248	295,427
Share of profit of subsidiaries and associates accounted for using the equity method	(1,616,477)	(1,443,177)
Loss (gain) on disposal of property, plant and equipment	1,881	(45,613)
Loss on disposal of investments	1,525	-
Realized loss (gain) on the transactions with subsidiaries and associates	(83,198)	29,947
Changes in operating assets and liabilities		
Financial assets held for trading	(2,011,237)	(324,794)
Notes receivable	13,672	41,023
Notes receivable from related parties	(6,775)	-
Trade receivables	188,581	168,293
Trade receivables from related parties	280,957	437,819
Other receivables	6,272	5,003
Other receivables from related parties	(9,275)	24,031
Inventories	(79,593)	13,073
Other current assets	3,931	(15,660)
Notes payable and trade payables	(148,607)	(1,644,362)
Trade payables to related parties	(294,558)	392,331
Other payables	80,334	(119,063)
Other payables to related parties	289	9,301
Short-term warranty provisions	(2,560)	5,548
Net defined benefit liabilities	(4,194)	(3,455)
Other current liabilities	23,392	53,476
Other non-current liabilities	100	2,637
Cash generated from operations	5,727,288	7,073,762
Interest received	468	762
Dividends received	70,673	77,812
Interests paid	(710)	(2,293)
Income tax paid	(98,234)	(1,411,725)
Net cash generated from operating activities	5,699,485	5,738,318

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	\$ (164,771)	\$ (1,935,265)
Proceeds from disposal of subsidiaries	33,455	-
Payments for property, plant and equipment	(180,986)	(99,413)
Proceeds from disposal of property, plant and equipment	497	61,811
Increase (decrease) in refundable deposits	2,297	(4,466)
Payments for intangible assets	(86,782)	(111,079)
Proceeds from disposal of intangible assets	-	14,424
Decrease (increase) in prepayments for equipment	(27,964)	(11,935)
Dividends received from subsidiaries and associates	<u>302,354</u>	<u>270,636</u>
Net cash used in investing activities	<u>(121,900)</u>	<u>(1,815,287)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	-	(272)
Repayment of principal portion of lease liabilities	(8,353)	(5,149)
Cash dividends paid	(5,463,198)	(4,751,129)
Exercise of employee share options	<u>139,687</u>	<u>140,436</u>
Net cash used in financing activities	<u>(5,331,864)</u>	<u>(4,616,114)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	245,721	(693,083)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,816,875</u>	<u>2,509,958</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,062,596</u>	<u>\$ 1,816,875</u>

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

(Concluded)

Advantech Co., Ltd.
2020 Profit Distribution Table

Item	Total
Unappropriated retained earnings - beginning	4,569,161,393
Less: using the equity method adjusted in retained earnings	(47,442,827)
Less: remeasurements of the defined benefit recognized in retained	(20,332,628)
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	(9,827,838)
Adjusted Unappropriated Retained Earnings	4,491,558,100
Add: Net income	7,247,955,048
Less: 10% legal reserve appropriated	(717,035,176)
Reversed special reserve	14,142,758
Current earnings available for distribution	11,036,620,730
Distributions:	
Common stock cash dividend (Dividends Per Share \$7.1)	(5,480,813,128)
Unappropriated retained earnings - ending	5,555,807,602

Chairman: K.C. Liu

President: Eric Chen
Miller Chang
Linda Tsai

Chief Financial officer: Mandy Lin

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>	According to the actual practice
<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,</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</p>	Update the date of the amendment

<p>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 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>(Article of Incorporation) was made on June 13, 2012.</p> <p>The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.</p> <p>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</p> <p>The 34rd amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.</p> <p>The 35rd amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017.</p> <p>The 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.
Rules and Procedure for Shareholders' Meetings

After amendment	Before amendment	Remark
<p>Article 3</p> <p>The Chairman may officially hold the meeting when shareholders holding over half of the total number of issued shares are present, and announce the relevant information such as the number of shares with non-voting rights and the number of shares of attendees. 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.</p>	<p>Article 3</p> <p>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.</p>	<p>According to the governing law and regulations</p>
<p>Article 12</p> <p>The vote on the motion, unless otherwise provided by the Company Law, is approved by the attending shareholders with a majority shareholding. <u>All relevant proposals of the shareholders' meeting (including ad hoc motions and amendments to the original proposals) shall be voted on a case-by-case basis, and an adequate voting time period shall be arranged.</u></p>	<p>Article 12</p> <p>The vote on the motion, unless otherwise provided by the Company Law, is approved by the attending shareholders with a majority shareholding. <u>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.</u></p>	<p>According to the governing law and regulations</p>
<p>Article 14.1</p> <p><u>When the election of directors is planned to be held at the shareholders' meeting, it shall be implemented in accordance with the relevant election regulations specified by the Company and shall announce the results of the election on-site, including the lists of elected directors and unelected directors and supervisors as well as their respective obtained votes.</u></p> <p>The ballots casted in the election referred to above shall be sealed and signed by the</p>	<p>Article 14.1</p> <p><u>The election of directors, if any, in the shareholders' meeting should be handled in accordance with the relevant norms of the Company and the election result should be announced immediately in the meeting, including the name of the elected directors and supervisors and the respective number of voting rights.</u></p> <p>The ballots casted in the election referred to above shall be sealed and signed by the ballot inspectors for safekeeping for at least</p>	<p>According to the governing law and regulations</p>

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.	one year; however, they should be reserved until the end of the legal proceeding that is filed by the shareholders in accordance with Article 189 of the Company Law.	
<p>Article 19</p> <p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 24, 1999.</p> <p>The 2nd amendment was made on May 30, 2002.</p> <p>The 3rd amendment was made on June 16, 2006.</p> <p>The 4th amendment was made on May 18, 2010</p> <p>The 5th amendment was made on June 13, 2012.</p> <p>The 6th amendment was made on May 26, 2017.</p> <p><u>The 7th amendment was made on May 26, 2021.</u></p>	<p>Article 19</p> <p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 24, 1999.</p> <p>The 2nd amendment was made on May 30, 2002.</p> <p>The 3rd amendment was made on June 16, 2006.</p> <p>The 4th amendment was made on May 18, 2010</p> <p>The 5th amendment was made on June 13, 2012.</p> <p>The 6th amendment was made on May 26, 2017.</p>	Update the date of the amendment

APPENDICES

III. Appendices

< Appendix I >

Corporate Charter (Articles of Incorporation) (Before Amendment)

Chapter 1 General Rules

- Article 1 :** The Company was organized in accordance with the provisions of the Company Law and was known as “Advantech Co., Ltd.”
- Article 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 NT10 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.
- 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.

The 38th amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2019.

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.

< Appendix III >

Current Shareholding of Directors

1. The paid-in capital of the Company is NTD 7,226,405,110 , with a total of 722,640,511 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 24,724,496 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 29, 2021

Title	Name	Representative	Shareholding on the shareholder's registry	
			Shares	% Ratio (%)
Chairman	K.C. Liu		28,179,467	3.65%
Director	Advantech Foundation.	Chaney Ho	22,314,809	2.89%
Director	AIDC Investment Corp.	Donald Chang	90,295,663	11.69%
Director	K and M Investment Co., Ltd.	Wesley.Liu	91,369,108	11.83%
Independent Director	Jeff Chen		0	0
Independent Director	Benson Liu		0	0
Independent Director	Chan-Jane Lin		0	0
Total			232,159,047	30.06%