

The logo consists of the word "ADVANTECH" in white, bold, uppercase letters, set against a dark blue rectangular background.

*Enabling an Intelligent Planet*

Advantech Co.,Ltd.

Annual General Shareholders Meeting for 2023

Meeting Handbook

May 25 , 2023

# Advantech Co., Ltd.

## Procedure for the 2023 General Shareholders' Meeting

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

# **I. Agenda of Annual Meeting**

Advantech Co., Ltd.

## **Agenda of 2023 General Shareholders' Meeting**

Method of Convening the Meeting: Hybrid (in-person and video conference)

Time: 9:00 a.m. on May 25 (Tuesday), 2023

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

Webcast provided : <https://www.stockvote.com.tw>

**1. Call the Meeting to Order**

**2. Chairperson Remarks**

**3. Report Items**

- (1) The 2022 Business Report
- (2) The Audit Committee's Review Report on the 2022 Financial Statements
- (3) Status Reports of the Cash Dividends for Distribution of 2022 Profits
- (4) 2022 Employees' and Directors' Remuneration Proposal
- (5) The Status of Endorsement and Guarantee in 2022

**4. Acknowledgement Items**

- (1) Adoption of the 2022 Business Report and Financial Statements
- (2) Adoption of the Proposal for Distribution of 2022 Profits

**5. Discussion and Election Items**

- (1) Issuance of New Shares from Capital Increase by Earnings.
- (2) The Company Plans to Issue Employee Share Options with Price lower than Fair Market Value.
- (3) Election of Directors.
- (4) Exemption of the limitation of Non-Competition on the Directors of the Company.

**6. Other Business and Special Motions**

**7. Adjournment**

# 1. Report Items

## Report No. 1

- Cause of action : The 2022 Business Reports.
- Explanation : The 2022 Business Report is attached as Attachment I.

## Report No. 2

- Cause of action : The Audit Committee's Review Report on the 2022 Financial Statements.
- Explanation : The 2022 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 2022 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\$7,779,769,710 were distributed to shareholders at NT\$10 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 because of any change in the company's outstanding shares, a request is to be made having the Chairman authorized to handle matters related to the changes.

## Report No. 4

- Cause of action : 2022 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\$740,000,000 as bonus to employees and NT\$14,100,000 as remuneration to directors paid in cash from the net income of 2022.
  2. There is no difference between the amount approved by the Board of Directors and the amount recognized as an expense in 2022.
  3. The proposal has passed in the Remuneration Committee meeting.

## Report No. 5

- Cause of action : The Status of Endorsement and Guarantee in 2022.
- 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\$3,589,441 thousand as of December 31, 2022.
  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)	Shanghai Advantech Intelligent Services Co., Ltd.	short-term bank loan	USD20,000	\$614,200	Under the limit (Note2)
Advantech (ACL)	Advantech Service-IoT Co., Ltd.	short-term bank loan	USD20,000	614,200	Under the limit (Note2)
Advantech (ACL)	Advantech Europe B.V.	short-term bank loan	USD10,000	307,100	Under the limit (Note2)
Advantech (ACL)	Advantech Corporation.	short-term bank loan	USD10,000	307,100	Under the limit (Note2)
Advantech (ACL)	Advantech Automation Corporation.	short-term bank loan	USD10,000	307,100	Under the limit (Note2)
Advantech (ACL)	Advantech Corporate Investment	short-term bank loan	USD10,000	307,100	Under the limit (Note2)
Advantech (ACL)	Advantech Technology (China)Company Ltd.	short-term bank loan	USD6,000	184,260	Under the limit (Note2)
Advantech (ACL)	Advantech KR Co., Ltd.	short-term bank loan	USD6,000	184,260	Under the limit (Note2)
Advantech (ACL)	Advantech Japan Co., LTD.	short-term bank loan	JPY1,500,000	348,000	Under the limit (Note2)
Advantech (ACL)	Advantech Intelligent Services Co., Ltd.	short-term bank loan	USD3,000	92,130	Under the limit (Note2)
Advantech (ACL)	Advantech Intelligent Health Co., Ltd.	short-term bank loan	USD3,000	92,130	Under the limit (Note2)
Advantech (ACL)	Advantech Brasil Ltda.	short-term bank loan	USD1,500	46,065	Under the limit (Note2)
Advantech (ACL)	Advantech Vietnam Technology company Limited.	short-term bank loan	USD1,000	30,710	Under the limit (Note2)
Advantech (ACL)	Advantech Technology Limited Liability Company	short-term bank loan	USD1,000	30,710	Under the limit (Note2)
Advantech (ACL)	Cermate Technologies Inc. (Cermate)	short-term bank loan	USD1,000	30,710	Under the limit (Note2)
Advantech (ACL)	Shenzhen Cermate Technologies Inc.	short-term bank loan	USD1,000	30,710	Under the limit (Note2)
Advantech (ACL)	Advantech Turkey Teknoloji AnoniM Sirketi.	short-term bank loan	USD500	15,355	Under the limit (Note2)
Advantech (ACL)	Advantech Czech s.r.o.	short-term bank loan	USD500	15,355	Under the limit (Note2)
Advantech (ACL)	Advanixs Corporation.	short-term bank loan	USD500	15,355	Under the limit (Note2)
Advantech (ACL)	Advantech Australia Pty Limited.	short-term bank loan	USD200	6,142	Under the limit (Note2)
Advantech (ACL)	Advantech Co Singapore Pte Ltd.	short-term bank loan	USD100	3,071	Under the limit (Note2)

Guarantor (Company)	Subsidiary of the guaranteed company	Category	Amount (original currency ___K)	NTD (NTD ___K)	Remarks
Advantech (ACL)	Advantech Corporation (Thailand) Co., Ltd.	short-term bank loan	USD100	3,071	Under the limit (Note2)
Advantech (ACL)	Advantech Co. Malaysia SDN BHD	short-term bank loan	USD100	3,071	Under the limit (Note2)
Advantech (ACL)	PT Advantech International	short-term bank loan	USD50	1,536	Under the limit (Note2)
Total				\$3,589,441	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\$13,144,411 thousand.
- (2) Maximum endorsement and guarantee for one single enterprise amounted to NT\$4,381,470 thousand.
- (3) The amount of limit referred to above is calculated in accordance with the net value NT\$43,814,702 thousand stated in the 2022 audited financial statements.

## 2. Acknowledgement Items

### Acknowledgement 1:

(Proposed by the Board of Directors)

Cause of action

: Adoption of the 2022 Business Report and Financial Statements.

Explanation

- : 1. The 2022 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, Liang, Hua-Ling and Lin, Yi-Fan, of Pricewaterhouse Coopers Taiwan 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 2022 Earnings.

Explanation

- : 1. Please refer to the 2022 profit distribution table in Attachment IV.
2. The Company's net income after tax of FY2022 was NT\$10,757,076,798 and resulted from adding NT\$6,971,065,420 of undistributed earnings at the beginning of the period, deducting NT\$11,017,508 of retained earnings from investments accounted for using equity method, adding NT\$31,990,380 of re-measured amount of the benefit plan recognized in retained earnings, and adding NT\$958,450 of disposing the investments in equity instruments measured at fair value through other comprehensive income, the cumulative profit and losses directly transferred to retained earnings. After appropriating the legal reserve of NT\$1,077,900,812 and reversing special reserves of NT\$555,793,996, the available surplus for distribution is NT\$17,227,966,724. The proposed distribution is as follows:
- (1) The amounts of NT\$7,779,769,710 (cash dividends) and NT\$777,976,970 (stock dividends) out of the 2022 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively. The dividend will be calculated based on the total number of outstanding common shares issued as of December 31, 2022, which is 777,976,971 shares. The proposed cash dividend to be distributed to shareholders is NT\$10 per share, and the stock dividend is NT\$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 because of any change in the company's outstanding shares, a request is to be made having the Chairman authorized to handle matters related to the changes.

Resolution

:

### 3. Discussion and Election Items

#### Discussion 1

(Proposed by the Board of Directors)

- Cause of action : Issuance of new shares from capital increase by earnings.  
Please proceed to discuss.
- Explanation : 1. In response to the business development, the Company plans to issue 77,797,697 shares from capital increase by the 2022 dividends distributed to shareholders at the amount of NT\$777,976,970, with the par value per share of NT\$10. Based on shareholders and their shareholding ratio listed in the shareholders' roster on the target date for distribution of dividends, 100 shares per 1000 shares will be distributed free of charge; the fractional share that is less than 1 share shall be put together by the stock agency appointed by the Company within 5 days after the date on which share transfer registration is suspended. The fractional share that is insufficient to make up the balance or put together by the deadline will be subscribed by a person designated by the chairman of the Board.
2. When there is a change in the distribution rate due to change in the number of shares circulated outside, the shareholders' meeting shall authorize the Board of Directors to solely handle such a change.
3. Rights and obligations arising from the issuance of new shares are same as those arising from the issuance of original shares.
4. After the issuance of new shares from capital increase is resolved by the annual shareholders' meeting and reported to the competent authority, the Board of Directors will be authorized to set the ex-right date and announce it separately.

Resolution :

#### Discussion 2

(Proposed by the Board of Directors)

- Cause of action : The company's plan of issuing employee stock warrants at a price below market price is hereby proposed for a resolution .  
Please proceed to discuss.
- Explanation : 1. The company intends to have employee stock warrant issued at a price below market price in accordance with Article 28.3 of the Securities Exchange Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" published by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.
2. According to Article 56-1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers:" The Company will issue 8,000,000 units of employee stock warrants at a price below market price, details referring to Attachment V.
- (1) Total number of employee stock warrants issued, the number of shares to be subscribed for each unit of stock warrant, and the total number of stock shares to be issued for the stock option exercised:  
A total of 8,000,000 units of employee stock warrants are issued currently and each unit of stock warrant are entitled to the subscription of 1 stock shares. A total of 8,000,000 common stock shares are issued for the stock option exercised.
- (2) The reference and reasonability of stock price :  
Stock price is NT\$200 per share.
- (3) Stock subscriber's qualification and the number of subscriber Shares :  
It is limited to the full-time employees in particular level or position or who have made a special contribution to the Company and the full-time employees of the domestic and overseas subsidiaries that



are with over 50% (inclusive) shareholding held by the Company directly or indirectly. The stock subscription qualification base date is decided by the chairman. The employees who qualified for stock subscription and the number of stock shares to be subscribed by each qualified employee are determined according to their job performance, overall contributions, or special achievements with the approval of the chairman and the consent of the board of directors. Approval by the Compensation Committee must be obtained first then reviewed by the Board of Director for approval for employees who are managerial officers or directors Non-executive: approval by the Audit Committee must be obtained first then reviewed by the Board of Director for approval for employees who are non-executive officers. According to Article 56-1 Paragraph 1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the stock warrant issued by the company and subscribe by one single subscriber accumulatively plus the new shares with limited rights accumulated by the subscriber together may not exceed 0.3% of the total outstanding stock shares; moreover, together with the stock warrant issued by the issuer in accordance with Article 56 Paragraph 1 and subscribe by one single subscriber accumulatively may not exceed 1% of the total outstanding stock shares.

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

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

(5) The impacts on shareholders' equity :

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

Input the common stock closing price the actuarial assumptions and estimates in the stock option evaluation model for calculations. The annual amortized expense amount in 2023~2028: NT\$167,633,333, NT\$402,320,000, NT\$308,320,000, NT\$145,386,667, NT\$78,020,000, and NT\$26,320,000, respectively, for a grand total of NT\$1,128,000,000. According to the stock closing price the actuarial assumptions and estimates, the annual earnings per share dilution in 2023~2028: NT\$0.19, NT\$0.46, NT\$0.35, NT\$0.15, NT\$0.08, and NT\$0.03, respectively.

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

Resolution :

**Discussion 3**

(Proposed by the Board of Directors)

Cause of action : Election of directors .

Explanation : 1. As the term of the Company's directors and supervisors is about to expire, the reelection of directors and supervisors shall be held in the shareholders' Meeting this year according to Article 13 of the Company's Articles of Incorporation.

2. The Company plans to set up 7~9 directors (including 3 independent directors) according to Article 13 of the Company's Articles of Incorporation. In the 13th reelection, 7 directors are planned to be set up (including 3 independent directors) with a term of 3 years and they may be eligible for

reelection. The Company plans to establish the audit committee, which is composed of all independent directors, according to Article 13-6 of the Company's Articles of Incorporation.

3. According to Article 13 of the Company's Articles of Incorporation, the candidate nomination system is adopted for the election of directors. After the Board of Directors reviews the qualifications of nominees based on the roster of candidates for directors and independent directors, qualified nominees are enrolled in the final roster of candidates for directors and independent directors and elected by the Board of Directors.
4. The 3-year term of newly elected directors starts from May 25, 2023 and ends on May 24, 2026.
5. According to Company's Article of Incorporation, the Company's disectors shall be elected from the nomination list. The qualification of the nominees has been reviewed by Board. Personal information of the nominees is as follows:

Resolution :

Category	Name	Education	Experience	Current position	Shares Held
Director	K.C. Liu	Department of Telecommunications Engineering, National Chiao Tung University	CEO of Advantech co., Ltd. Former salesman of Instruments Dept. of Hewlett-Packard	Chairman of Advantech co., Ltd.	28,179,467
Director	Advantech Foundation Representative : Chaney Ho	Tatung Institute of Technology Taiwan	President of Advantech Co., Ltd. President of Le Wel Co., Ltd.	Independent Director of Giant Manufacturing Co., Ltd.	22,314,809
Director	K and M Investment Co., Ltd. Representative: Wesley Liu	Johns Hopkins University GMBA	Advantech Applications Engineer IBM Consultant Advantech Manager of Service IoT retail product group 、 Advantech Business Development Manager of Service IoT 、 Advantech Sales Manager of Service IoT, Alntercon region. 、 Manager of Advantech Intelligent Service	Director of Advantech Human Resources Department. Chairman of CZ Investment CO., Ltd. Director of K and M Investment Co., Ltd. Director of ChuanTing Investment CO., Ltd. Director of Mildex Optical Inc. Director of Winmate Inc. Director of Advantech Intelligent Health Co., Ltd.	91,369,108
Director	AIDC Investment Corp. Representative: Tony Liu	Master of Business Administration, National Taiwan University Bachelor of Electrical Engineering	Senior Manager of Advantech Corporate Investment Department. Product Manager of Advantech Intelligent Imaging Business Unit.	Director of Advantech Corporate Investment Department. Chairman of ChuanTing Investment CO., Ltd. Chairman of Tran-Fei Development Co., Ltd. Chairman of Shiung	90,295,663

Category	Name	Education	Experience	Current position	Shares Held
		University of Illinois		Yang Investment Co., Ltd. Director of K and M Investment Co., Ltd. Director of CZ Investment CO., Ltd. Director of Advantech Corporate Investment Co., Ltd. Director of Axiomtek Co., Ltd. Director of DeNeng Scientific Research co., Ltd. Director of Cermate Technologies Inc. Director of Huan Yan Water Solution Co., Ltd. Director of Smasoft Technology Co., Ltd. Director of ISAP Solutinon Corporation. Director of Yan Xu Green Electricity Co., Ltd.	
Director	Jeff Chen	EMBA , Northwestern University	Stanley Black & Decker Inc. VP & President of Asia 、Stanley Works HQ, VP Global Operations 、Stanley Works Asia, President Asia Operations	Independent Director of Advantech Co., Ltd.	0
Director	Ji-Ren Lee	Ph.D in Strategic Management, University of Illinois at Urbana Champaign	Associate Dean, College of Management and Executive Director, EMBA PRrogram, National Taiwan University	Independent Director of Delta Electronics Inc. Independent Director of Vivotek Inc. Independent Director of Acer Incorporated. Independent Director of Airoha Technology Corp. Director of Longchen Paper Packaging Co., Ltd. Director of Primax Electronics Ltd. Chairman of B Current Impact Investement Fund 3 Director of CommonWealth Education Media and	0

Category	Name	Education	Experience	Current position	Shares Held
				Publishing Co., Ltd. Director of Social Enterprise Insights. Director of Commonwealth Magazine Co., Ltd.	
Independent Director	Benson Liu	Master, International Business Administration, University of Northrop, USA	Chairman and President of Bristol-Myers Squibb (Taiwan) Ltd. Former Chairman, Taiwan Corporate Governance Association	Independent Director of Vanguard International Semiconductor Co. Director of Maywufa Company Ltd.	0
Independent Director	Chan-Jane Lin	Ph.D in Accounting, University of Maryland	Independent Director of Fubon Securities Co., Ltd. Independent Director of Fubon Life Insurance Co., Ltd. Professor, Department of Accounting, Taiwan University Acting Dean School of Management, Taiwan University	Department of Accounting, National Taiwan University - Professor Independent Director of Focaltech Systems Co., Ltd.	0
Independent Director	Ming-Hui Chang	Master in Professional Accounting, The Univ. of Texas at Austin Bachelor, Accounting Section of the Department of Commerce, National Taiwan Univ	Chairman of Pricewaterhousecoopers Management Consulting Co., Ltd. CEO/Partner of PricewaterhouseCooper. Adjunct Professor, National Taiwan Univ., National Chung Cheng Univ., Tung Hai Univ.	Independent Director of Uni-President Enterprises Corp. Independent Director of Bafang Yunji International Co., Ltd.	0

**Discussion 4**

(Proposed by the Board of Directors)

- Cause of action : Exemption of the limitation of non-competition on the directors of the Company. Please proceed to discuss.
- Explanation : 1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. To take good advantage of the specialties and experience of the Company's directors, the release of the prohibition on new directors and their representatives, elected in the 2023 annual shareholders' meeting, from participation in competitive business is proposed in the shareholders' meeting for approval according to laws.
- Resolution :

Title	Name	Concurrent positions in other companies
Director	K.C. Liu	Chairman : Beijing Yan Hua Xing Ye Electronic Science & Technology Co. Ltd. 、Advantech Technology (China) Company Ltd. 、 Shanghai Advantech Intelligent Services Co., Ltd 、 Xi'an Advantech Software Ltd 、 Advantech Service-IoT ( Shanghai ) Co. Ltd. 、 Advanixs Corp. 、 Advantech Intelligent Services Co., Ltd. 、 K&M Investment Co., Ltd. 、 Advantech Japan Co., Ltd. Director : Advantech Europe B.V. (AEU) 、 Advantech Technology Co., Ltd. (ATC) 、 HK Advantech Technology Co., Ltd. (ATC (HK)) 、 Advantech Automation Corp. (BVI)(AAC(BVI)) 、 Advantech Automation Corp. (HK) Limited. (AAC (HK)) 、 Advantech Corp. (ANA) 、 Advantech Europe Holding B.V. (AEUH) 、 Advantech KR Co., Ltd (AKR).
Director	Advantech Foundation Representative : Chaney Ho	Director : Beijing Yan Hua Xing Ye Electronic Science & Technology Co. Ltd. 、 Unabiz Pte Ltd.
Director	K and M Investment Co., Ltd. Representative: Wesley Liu	Director : Shanghai Advantech Intelligent Services Co., Ltd 、 Shanghai Yanle Co., Ltd. (AYL) 、 Advantech Intelligent Health Co., Ltd. 、 Winmate Inc. 、 Mildex Optical Inc. 、 Advantech Co. Singapore Pte Ltd. (ASG) 、 Advantech Co.Malaysia Sdn.Bhd (AMY) 、 Advantech Corporation (Thailand) Co.,Ltd.(ATH) 、 Advantech Industrial Computing India Private Limited.(AIN) 、 Advantech Electronics,S.De R.L.De C. (AMX) 、 Advantech IOT Israel Ltd.(AIL) 、 Advantech Raiser India Private Limited(ARI) 、 Advantech Technology DMCC.
Director	AIDC Investment Corp. Representative: Tony Liu	Director : Axiomtek Co., Ltd. 、 DeNeng Scientific Research co., Ltd. 、 Cermate Technologies Inc. 、 Huan Yan Water Solution Co., Ltd. 、 Smasoft Technology Co., Ltd. 、 ISAP Solutinon Corporation. 、 Yan Xu Green Electricity Co., Ltd.
Director	Ji-Ren Lee	Director : Primax Electronics Ltd. Independent Director : Delta Electronics Inc. 、 Vivotek Inc. 、 Acer Incorporated. 、 Airoha Technology Corp.

Title	Name	Concurrent positions in other companies
Independent Director	Benson Liu	Director : Maywufa Company Ltd. Independent Director : Vanguard International Semiconductor Co.
Independent Director	Chan-Jane Lin	Independent Director : FocalTech Systems Co., Ltd.

#### **4. Other Business and Special Motions**

#### **5. Adjournment**

## **ATTACHMENTS**

## II. Attachments

< Attachment I >

### Business Report

Dear shareholders:

#### Financial Performance

In terms of financial performance, Advantech's consolidated revenue of 2022 reached NT\$68.745 billion, with an increase of 17% over 2021. The gross profit was NT\$26.113 billion (gross profit margin 38%), and the consolidated net income after tax was NT\$10.757 billion (year-on-year growth of 30%). The earnings per share after tax reached NT\$13.85 in 2022. Advantech has achieved its historical highs in both revenue and profit in 2022, demonstrating exceptional overall performance.

In terms of U.S. dollars, Advantech's revenue in 2022 reached US\$2,313 million, representing a 11% annual growth as compared to 2021. From the regional perspective of 2022's performance, North America, Europe, and Emerging markets are the strongest performers, with year-on-year growth of 23%, 20%, and 14%, respectively. However, the China market showed a single-digit year-on-year decline. In terms of performance by strategic business unit (SBU), except for the Industrial-IoT Group (IIoT) and Advantech Service Plus (AS+) that had a slightly decrease in year-on-year, all other business units reached double-digit increase year-on-year. Among them, the Applied Computing Group (ACG) and the Service-IoT Group (SIoT) enjoyed the strongest growth, with an increase of 45% and 19% as compared to 2021, respectively.

#### Market Trends and Business Strategy

The global IoT market in various industries is expected to enter an accelerated growth period. According to the estimation by Gartner, an international research institution, the end users spending on commercial IoT is expected to reach US\$220 billion by 2025, with a five-year CAGR (compound annual growth rate) of 12%. Advantech has a comprehensive product offering in the field of Industrial-IoT, and will continue to cultivate core vertical applications such as industrial automation, smart healthcare, networking, transportation, retail, gaming, etc. Advantech also pays close attention to the development trends of emerging industries. Consolidating the advantages of product business capability and overseas regional go-to-market teams to strategically position itself in emerging industries, which include:





### **5G Infrastructure**

The innovation of 5G technology (the fifth generation of mobile networks) involve with three major technical features, which are high transmission capacity, massive connectivity, ultra-low latency and ultra-high reliability, to initiate the era of AIoT (Artificial Intelligence of Things). The size of global 5G infrastructure market is estimated to be US\$5.82 billion in 2021 and is expected to reach roughly US\$98.57 billion by 2030, with a projected CAGR of 32% from 2022 to 2030. Advantech provides wireless modules, terminal devices, network equipment, industrial high-end servers, and DMS (design & manufacturing services) to actively link with 5G-related industry chain.

### **Robotics & Autonomous Mobile Robots**

With the rapid development of artificial intelligence and edge computing technology, while facing the shortage of manpower and new types of work in the post-COVID era, the corporate demand for industrial robots has significantly increased. The market estimates that the global robotics market value will grow by 270% in reaching US\$110.7 billion by 2026. The application industries include manufacturing (29.7%), defense (16.5%), logistics (5.5%), and medicals (14.3%), etc. On the other hand, Mobile robots will become the new norm for automation applications. Advantech has grasped the trend of automation technology by providing various embedded boards and software integration modules (Solution Ready Package, SRP), while equipped with the Robot Operating System (ROS2) kit and combined with end customer application programs to optimize production efficiency, to improve safety, reliability and process intelligence, thus shortening the project implementation schedule.

### **Green Energy & EV Charging Infrastructure**

The International Energy Agency (IEA) report stated that countries around the globe are actively developing clean energy in response to energy security concerns, climate commitments, and industrial policies, which leads the world into "the Era of Eenergy Transformation" and expected to growth with double-digit in the next three to five years. Therefore, green energy, EV batteries, charging stations, energy storage equipment, and services are key focuses in Advantech's strategic layout. From data perception, transmission, and control to edge computing platforms, Advantech provides comprehensive IoT solutions to accelerate system integration and application deployment.

### **WISE-PaaS Industrial-IoT platform.**

Predicting that the next stage of growth in the IoT will move towards AI and 5G mainstream trends, Advantech has successfully integrated Edge Computing Platform and AI chips on existing hardware platforms to develop high-performance AI solutions. In addition, Gartner and many international research organizations have pointed out that IoT combined with big data and machine learning has becomes a trend and will be widely used in fields such as industrial automation, site monitoring, equipment predictive maintenance, warehouse management, and smart healthcare etc. Advantech has deeply invested in the WISE-IoT technology field, targeting the fields of industrial automation, energy management, IoT edge connections, IoT Mart and e-commerce, and smart Healthcare. With its self-developed WISE-PaaS industrial IoT platform, the company provides software-hardware integrated smart solutions (Solution Ready Package, SRP) to reach customers' needs while also establishing a strong technology core to further strengthen its leading position in the industry.

## Response to the supply chain and regional markets

After facing the severe challenges of the supply chain imbalance in 2021-2022, Advantech has completed multiple reactions to build a resilient supply chain. The concrete measures include strengthening high-level strategic management of global suppliers, accelerating the introduction of diversified strategic suppliers, segregating the supply chain system for branded products and DMS project customers, introducing TSU co-design in the R&D system to strengthen part material selection and risk management, and enhancing the flexibility of alternative material verification and design changes. In the future, Advantech will response to industry risks and supply chain challenges with a more robust and flexible mechanism.

In terms of regional markets, Advantech faced material shortages in 2022; however, benefited from customers pre-booking behavior and strong demand in European and North American markets, Advantech's overall operations continue to grow in double-digit. The China market, on the other hand, was weakened by the "zero-COVID" policy and economic uncertainty. According to predictions by major financial institutions, the China market is expected to experience a moderate recovery in 2023, with the lifting of policy restrictions aiding a rebound in consumer retail demand and overall cautious optimism in the China economy. Advantech will continue to closely connect with China customers, dynamically adjust the inventory of materials and products, and pre-deploy for China's forthcoming recovery and growth.

## Sustainability and ESG

Since its inception, Advantech has been focused on managing its own brand. In 2022, with a brand value of US\$776 million, Advantech was ranked fifth in the 2022 Best Taiwan Global Brands, which has maintained its position in the top five for five consecutive years. Its brand value grew by an impressive 23%, making it one of the top five companies with the highest growth rate. In 2023, on the occasion of its 40th anniversary, Advantech will organize a series of global cycling events to connect thousands of colleagues and partners around the world. In addition, a series of activities will be planned, such as employee happiness events, global children of Advantech drawing competition, and world partner conference, to express gratitude to Advantech's colleagues and partners who have been with the company throughout its growth in the hope of celebrating its 40th anniversary.

In promoting ESG, guided by our ESG Vision Statement: "To become the most desired top enterprise in the IoT field globally, nurturing talent through diverse channels; achieving success for Advantech and our partners. We emphasize ESG issues of environmental, social, and corporate governance topics, implement Lita co-enrichment, and enable an intelligent and sustainable planet." Advantech defines its three major ESG pillars as follows:

### (1) Green Operations and Sustainable Development:

In 2022, we have continued to evaluate our sustainability performance with international sustainability indicators and set multiple sustainability targets, including entering the DJSI sustainability index by 2025, achieving a B level rating in the 2025 CDP Climate Change Questionnaire, and using 100% renewable energy by 2040. Furthermore Our sustainability achievements in 2022 included issuing a TCFD financial quantification analysis report, improving TCFD information disclosure quality, initiating projects to obtain ISO 14067 Product Carbon Footprint and ISO 50001 Energy Management System certifications, holding ESG targets accountable for middle and high-level executives and providing incentive mechanisms, promoting iEMS as our main business, which has been applied in our headquarters and expanded to all global operational bases year by year. In terms of green product design, we

have implemented green product design standards (raw materials, energy efficiency, packaging, recyclability) in five mass production product lines. One new product has received the US Energy Star certification and won the first prize in the European client's internal green design competition.

(2) AIoT Popularization:

Through the WISE-PaaS platform, we aim to cultivate innovative talents in the field of IoT and incubate innovative solutions, in order to achieve the sustainable goal of "helping students find their future and connecting businesses with talented individuals." By 2025, our target is to expand IoT education to 70 universities in 14 countries globally by providing Advantech's industrial IoT technology and resources to help global colleges and universities in cultivating innovative talents. In 2022, NT\$39,553,210 was invested and has benefitted up to 1,749 people. Meanwhile, in regards of the AIoT Academy's IoT education curriculum and certification, more than 800 technical certifications were issued in a total of 14 campus collaborations between 2021 and 2022. The AIoT InnoWorks developer program had 90 student teams and over 360 students participating from six countries and 16 schools. In 2022, Advantech participated in the establishment of Taiwan's first industry-academia innovation research institute with National Yang Ming Chiao Tung University and promised to sponsor ten industry-academia cooperative master students annually.

(3) Community Enrichment:

In 2022, Advantech is committed to establishing its corporate brand and strengthening social impact, particularly by enhancing innovative education, cultural development, and building a quantifiable and qualitative impact on social welfare. We have planned and executed an impact indicator document to measure our progress. In terms of employee development and cultivation, our ABLE Club platform for a happy life is evolving and providing more diverse and employee-centered services, striving to create a satisfied workplace where employees can create long-term value with Advantech. For international talent development and cultivation, we have launched the Human Capital Management system in 2022, which uses big data to track and analyze the benefits of Advantech's long-term talent development and development plans, thereby enabling more effective talent management and innovation.

In 2022, thanks to the efforts of our colleagues and partners, Advantech was recognized in various sustainability rankings both domestically and internationally, which included the Electronics Industry - Model Award from CommonWealth Magazine Corporate Social Responsibility Survey, Taiwan's Top 100 Sustainable Exemplary Companies Award from the Taiwan Corporate Sustainability / Silver Award for Sustainability Report, the CommonWealth Magazine Corporate Citizen Awards, Institutional Investor Magazine - Most Respected Company, and Best ESG Company. We also continued to be selected for the Yuanfa Taiwan ESG Sustainable ETF Fund and the Taiwan Stock Exchange and Taipei Exchange Friendly Environment Index. The journey towards sustainability for Advantech will never pause and we will continue to strive for our mission to enable an intelligent and sustainable planet in creating a sustainable and altruistic enterprise for all our stakeholders.

### Outlook for 2023 and Beyond

Looking ahead to 2023, the global economy is slowing down, regional market uncertainties persist, and high inventory issues still require time to resolve. As countries aware of the energy and environmental issues, the trend of energy transformation brings out opportunities, especially in

the rapid popularization of electric vehicles, which has driven huge business opportunities in renewable energy infrastructure, including wind energy, solar energy, and EV battery production expansion; development of public and home charging equipment, energy-saving and energy storage demand. In addition, the online shopping frenzy driven by the pandemic and the consumption rebound in the post-pandemic era are driving the application of smart retail and intelligent warehousing; the rigid demand for smart medical and healthcare equipment stemming from the global aging structure will continue to drive the IoT industry's rapid growth.

Responding to the enormous opportunities brought by energy transformation, smart upgrades, and long-term care and medical trends, Advantech has continuously optimized its SBU, RBU, and Operation. In terms of the business entity, it actively deploys industries and products, focusing on high-growth applications such as equipment manufacturers, industrial automation, energy management, and smart Healthcare. In terms of regional business organizations, it gathers regional resources and leverages leadership synergies to provide customer-centric and cross-regional services. In terms of production, manufacturing, and logistics units, it implements lean management in key areas such as inventory reduction, customer order delivery, and production efficiency improvement, and sets clear achievable goals. For the overall outlook on year 2023, despite the external challenges of overall economic downturn and relatively slow demand, Advantech proactively grasps technological trends and industry opportunities with great confidence in itself. It is expected to continue its growth momentum in both revenue and profits this year and create new corporate value.



K.C. Lu  
Chairman

Linda Tsai  
President of Industrial  
IoT

Eric Chen  
President of General  
Management

Miller Chang  
President of Embedded  
IoT

## **Audit Committee's Review Report**

The Company's 2022 Financial Statements have been agreed by Audit Committee members of the Company and approved by the Board of Directors. The CPA firm of PricewaterhouseCoopers Taiwan 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 2022 Business Report and proposal for allocation of profits. The 2022 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

February 24, 2023

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of ADVANTECH CO., LTD.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of ADVANTECH CO., LTD. and its subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Independent 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 in 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 judgements, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

### ***Valuation of inventories***

#### **Description**

Refer to Note 4(14) for the accounting policies on the valuation of inventories, Note 5 for the uncertainty of accounting estimations and assumptions for the valuation of inventories, and Note 6(6) for the details of inventory valuation. The Group's inventory and allowance for inventory valuation as at December 31, 2022 are \$15,005,734 thousand and \$997,969 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of embedded computer boards, industrial automation products, applied computers and industrial computers. Due to the rapid changes in technology, environment and industrial characteristics, inventories of the Group are available in different sizes and types. Since the evaluation of inventories is subject to management's judgment and the accounting estimations will have significant influence on the inventory values, we considered the valuation of inventories as one of the key audit matters.

#### **How our audit addressed the matter**

We have performed primary audit procedures for the above matter as follows:

1. Obtained an understanding of the policy on allowance for inventory valuation loss to affirm the reasonableness of application.
2. Validated the accuracy of the system logic in calculating the ageing of inventories.
3. Tested the basis of market value used in calculating the net realizable value of inventory and validated the accuracy of net realizable value calculation of selected samples.

### **Appropriateness of sales revenue cut-off**

#### **Description**

Refer to Note 4(32) for the related accounting policies of sales revenue.

The Group's sales revenue is spread all over the world, with a large number of customers and different transaction terms. Therefore, if the sales revenue is not properly recorded in the correct period, it may have a significant impact on the financial statements. Thus, we considered the appropriateness of the sales revenue cut-off as one of the key audit matters.

#### **How our audit addressed the matter**

We have performed primary audit procedures for the above matter as follows:

1. Obtained an understanding of and assessed internal controls in relation to sales revenue, and validated its operating effectiveness.
2. Tested the sales for a specific period prior to and after the balance sheet date, including confirming transaction terms, checking supporting documents and validating the proper timing of recognising movements of inventories and respective transfer of cost of goods sold.
3. Inspected contents and relevant evidence to confirm whether there were any significant or unusual sales returns and discounts occurring subsequent to the reporting period.

#### ***Other matter***

We have audited and expressed an unqualified opinion on the parent company only financial statements of ADVANTECH CO., LTD. as at and for the years ended December 31, 2022 and 2021.

### ***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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 Audit Committee, are responsible for overseeing the Group's financial reporting process.

***Independent 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and 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 appropriate audit evidence regarding the financial information of the 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 of the current period 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

---

Liang, Hua-Ling

---

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2023

---

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**ADVANTECH CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 12,029,785	18	\$ 9,301,152	16
1110	Financial assets at fair value through profit or loss - current	6(2)	3,211,182	5	2,011,279	4
1136	Financial assets at amortised cost - current	6(4) and 8	139,910	-	113,548	-
1150	Notes receivable	6(5)	1,434,823	2	2,038,948	4
1170	Accounts receivable	6(5)	9,641,564	15	8,215,075	14
1180	Accounts receivable - related parties	7	32,400	-	37,920	-
1200	Other receivables		80,598	-	54,497	-
1210	Other receivables - related parties	7	890	-	-	-
130X	Inventories	6(6)	14,007,765	21	12,517,416	22
1470	Other current assets	7	1,168,431	2	831,655	1
11XX	Total current assets		41,747,348	63	35,121,490	61
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	2,703,431	4	1,659,120	3
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	2,199,556	3	2,516,420	4
1550	Investments accounted for under equity method	6(7)	4,383,238	7	3,856,835	7
1600	Property, plant and equipment	6(8) and 8	11,039,395	17	10,246,751	18
1755	Right-of-use assets	6(9)	614,655	1	594,368	1
1780	Intangible assets	6(10)	2,789,279	4	2,665,425	4
1840	Deferred income tax assets	6(26)	700,239	1	985,675	2
1915	Prepayments for business facilities		127,024	-	116,347	-
1990	Other non-current assets	8	80,773	-	65,806	-
15XX	Total non-current assets		24,637,590	37	22,706,747	39
1XXX	Total assets		\$ 66,384,938	100	\$ 57,828,237	100

(Continued)

**ADVANTECH CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 531,330	1	\$ 255,700	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	21,634	-	2,687	-
2130	Current contract liabilities	6(21)	1,313,695	2	950,692	2
2170	Notes and accounts payable	7	7,126,418	11	7,486,975	13
2200	Other payables	6(12) and 7	5,146,661	8	4,587,492	8
2230	Current income tax liabilities		3,588,177	5	2,485,660	4
2250	Provision for liabilities - current		252,434	-	196,498	-
2280	Lease liabilities - current	6(9)	168,012	-	250,338	-
2300	Other current liabilities		332,445	1	287,636	1
21XX	Total current liabilities		18,480,816	28	16,503,678	29
Non-current liabilities						
2540	Long-term borrowings	6(13) and 8	121,500	-	-	-
2560	Current tax liabilities - non-current		659,969	1	97,320	-
2570	Deferred income tax liabilities	6(26)	2,137,306	3	2,178,209	4
2580	Lease liabilities - non-current	6(9)	175,846	-	67,068	-
2600	Other non-current liabilities	6(14)	525,487	1	619,171	1
25XX	Total non-current liabilities		3,620,108	5	2,961,768	5
2XXX	Total liabilities		22,100,924	33	19,465,446	34
Equity attributable to shareholders of the parent						
	Share capital	6(16)				
3110	Common shares		7,778,434	11	7,738,228	13
3140	Advance receipts for share capital		1,335	-	6,410	-
	Capital surplus	6(17)				
3200	Capital surplus		9,110,280	14	8,388,886	15
	Retained earnings	6(18)				
3310	Legal reserve		8,552,226	13	7,737,236	13
3320	Special reserve		555,794	1	831,850	1
3350	Unappropriated retained earnings		17,750,074	27	13,705,710	24
	Other equity	6(19)				
3400	Other equity		66,559	-	( 555,793)	( 1)
31XX	Equity attributable to shareholders of the parent		43,814,702	66	37,852,527	65
36XX	Non-controlling interest	6(20)	469,312	1	510,264	1
3XXX	Total equity		44,284,014	67	38,362,791	66
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 66,384,938	100	\$ 57,828,237	100

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

**ADVANTECH CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items		Notes	For the years ended December 31,			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7	\$ 68,744,701	100	\$ 58,622,050	100
5000	Operating costs	6(6)(8)(9)(10)(14)				
		(15)(25) and 7	( 42,631,598)	( 62)	( 36,490,474)	( 62)
5950	Gross profit		26,113,103	38	22,131,576	38
	Operating expenses	6(8)(9)(10)(14)(15)				
		(25) and 7				
6100	Selling expenses		( 5,766,048)	( 9)	( 5,180,175)	( 9)
6200	General and administrative expenses		( 2,996,431)	( 4)	( 2,877,312)	( 5)
6300	Research and development expenses		( 4,767,745)	( 7)	( 4,269,809)	( 7)
6450	Expected credit impairment loss		( 50,702)	-	( 3,857)	-
6000	Total operating expenses		( 13,580,926)	( 20)	( 12,331,153)	( 21)
6900	Operating profit		12,532,177	18	9,800,423	17
	Non-operating income and expenses					
7100	Interest income	7	43,487	-	27,467	-
7010	Other income	6(22) and 7	413,475	1	373,993	-
7020	Other gains and losses	6(2)(10)(23)	33,308	-	( 194,813)	-
7050	Finance costs	6(9)(11)(13)(24)	( 26,991)	-	( 15,668)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	447,404	1	263,940	-
7000	Total non-operating income and expenses		910,683	2	454,919	-
7900	<b>Profit before income tax</b>		13,442,860	20	10,255,342	17
7950	Income tax expense	6(26)	( 2,700,301)	( 4)	( 1,947,979)	( 3)
8200	<b>Profit for the year</b>		\$ 10,742,559	16	\$ 8,307,363	14

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

		For the years ended December 31,			
		2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Gains (losses) on remeasurements of defined benefit plans	6(14)			
		\$	34,507	-	(\$ 3,577)
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(19)			
		(	310,640)	-	766,066
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss	6(7)(19)			
			83,446	-	66,515
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)			
		(	7,472)	-	790
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss				
		(	200,159)	-	829,794
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(19)			
			1,009,139	1	( 685,783)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss	6(7)(19)			
			65,703	-	( 57,855)
8399	Income tax related to components of other comprehensive (loss) income that will be reclassified to profit or loss	6(26)			
		(	215,244)	-	142,326
8360	Other comprehensive income (loss) that will be reclassified to profit or loss				
			859,598	1	( 601,312)
8300	<b>Total other comprehensive income for the year</b>		\$ 659,439	1	\$ 228,482
8500	<b>Total comprehensive income for the year</b>		\$ 11,401,998	17	\$ 8,535,845
Profit attributable to:					
8610	Shareholders of the parent		\$ 10,757,077	16	\$ 8,250,224
8620	Non-controlling interest		( 14,518)	-	57,139
			\$ 10,742,559	16	\$ 8,307,363
Total comprehensive income attributable to:					
8710	Shareholders of the parent		\$ 11,417,894	17	\$ 8,510,806
8720	Non-controlling interest		( 15,896)	-	25,039
			\$ 11,401,998	17	\$ 8,535,845
Basic earnings per share					
9750	Profit for the year	6(27)	\$	13.85	\$ 10.67
Diluted earnings per share					
9850	Profit for the year	6(27)	\$	13.70	\$ 10.51

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

**ADVANTECH CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

	Share Capital			Equity attributable to owners of the parent					Other Equity Interest			Total equity	
	Notes	Common shares	Advance receipts for share capital	Retained Earnings			Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			Non-controlling interest			
				Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unearned employee benefits compensation		Total		
For the year ended December 31, 2021													
Balance at January 1, 2021		\$ 7,719,455	\$ 3,090	\$ 7,913,754	\$ 7,020,201	\$ 845,993	\$ 11,739,513	\$ 1,006,635	\$ 173,308	\$ 1,477	\$ 34,410,156	\$ 35,046,423	
Consolidated profit for the year		-	-	-	-	-	8,250,224	-	-	-	8,250,224	8,307,363	
Other comprehensive income (loss) for the year	6(19)(20)	-	-	-	-	-	(4,040)	(569,302)	833,924	-	260,582	228,482	
Total comprehensive income (loss) for the year		-	-	-	-	-	8,246,184	(569,302)	833,924	-	8,510,806	8,535,845	
Appropriations of 2020 earnings													
Legal reserve		-	-	-	717,035	-	(717,035)	-	-	-	-	-	
Reversal of special reserve		-	-	-	-	(14,143)	14,143	-	-	-	-	-	
Cash dividends		-	-	-	-	-	(5,480,813)	-	-	-	(5,480,813)	-	
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	-	
Recognition of employee share options	6(15)(16)	18,773	3,320	185,822	-	-	-	-	-	-	207,915	207,915	
Compensation costs recognized for employee share options	6(15)	-	-	291,441	-	-	-	-	-	-	291,441	291,441	
Changes in associates and joint ventures accounted for under equity method		-	-	(25,474)	-	-	(80,199)	-	-	-	(105,673)	-	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(28)	-	-	23,128	-	-	(3,401)	-	-	-	19,727	19,727	
Changes in non-controlling interest	6(20)	-	-	-	-	-	-	-	-	-	(75,664)	(75,664)	
Changes in ownership interests in subsidiaries	6(20)(28)	-	-	215	-	-	(1,247)	-	-	-	(1,032)	(50,735)	
Disposal of financial assets at fair value through other comprehensive income	6(3)(19)	-	-	-	-	-	(11,435)	-	11,435	-	-	-	
Balance at December 31, 2021		\$ 7,738,228	\$ 6,410	\$ 8,388,886	\$ 7,737,236	\$ 831,850	\$ 13,705,710	\$ 1,575,937	\$ 1,018,667	\$ 1,477	\$ 37,852,527	\$ 38,362,791	
For the year ended December 31, 2022													
Balance at January 1, 2022		\$ 7,738,228	\$ 6,410	\$ 8,388,886	\$ 7,737,236	\$ 831,850	\$ 13,705,710	\$ 1,575,937	\$ 1,018,667	\$ 1,477	\$ 37,852,527	\$ 38,362,791	
Consolidated profit for the year		-	-	-	-	-	10,757,077	-	-	-	10,757,077	10,742,559	
Other comprehensive income (loss) for the year	6(19)(20)	-	-	-	-	-	31,990	860,976	(232,149)	-	660,817	659,439	
Total comprehensive income (loss) for the year		-	-	-	-	-	10,789,067	860,976	(232,149)	-	11,417,894	11,401,998	
Appropriations of 2021 earnings													
Legal reserve		-	-	-	814,990	-	(814,990)	-	-	-	-	-	
Reversal of special reserve		-	-	-	-	(276,056)	276,056	-	-	-	-	-	
Cash dividends		-	-	-	-	-	(6,195,710)	-	-	-	(6,195,710)	-	
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	-	
Recognition of employee share options	6(15)(16)	40,206	(5,075)	401,139	-	-	-	-	-	-	436,270	436,270	
Compensation costs recognized for employee share options	6(15)	-	-	233,442	-	-	-	-	-	-	233,442	233,442	
Changes in associates and joint ventures accounted for under equity method	6(19)	-	-	78,071	-	-	(6,403)	-	-	(5,517)	66,151	66,151	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(28)	-	-	8,428	-	-	(4,614)	-	-	-	3,814	3,814	
Changes in non-controlling interest	6(20)	-	-	-	-	-	-	-	-	-	17,675	17,675	
Changes in ownership interests in subsidiaries	6(28)	-	-	314	-	-	-	-	-	-	(2,124)	(1,810)	
Disposal of financial assets at fair value through other comprehensive income owned by associates	6(3)(19)	-	-	-	-	-	958	-	(958)	-	-	-	
Balance at December 31, 2022		\$ 7,778,434	\$ 1,335	\$ 9,110,280	\$ 8,552,226	\$ 555,794	\$ 17,750,074	\$ 714,961	\$ 785,560	\$ 4,040	\$ 43,814,702	\$ 44,284,014	

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



ADVANTECH CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax		\$ 13,442,860	\$ 10,255,342
Adjustment items			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(25)	873,114	828,168
Amortisation	6(10)(25)	183,966	268,703
Expected credit impairment loss		50,702	3,857
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(23)	189,415	( 131,863 )
Finance costs	6(24)	26,991	15,668
Interest income		( 43,487 )	( 27,467 )
Dividend income	6(22)	( 249,959 )	( 185,473 )
Compensation costs of employee share options	6(15)(25)	233,443	291,468
Share of profit of associates accounted for under equity method		( 447,404 )	( 263,940 )
Loss (gain) on disposal of property, plant and equipment	6(23)	987	( 58,183 )
Gain on disposal of investment	6(23)	( 8,367 )	( 1,426 )
Others		-	( 22,469 )
Impairment loss	6(10)(23)	-	292,574
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		( 1,432,673 )	3,575,237
Notes receivable		604,159	( 146,689 )
Accounts receivable		( 1,477,223 )	( 1,362,058 )
Accounts receivable – related parties		5,520	( 9,170 )
Other receivables (including related parties)		( 26,991 )	2,021
Inventories		( 1,490,349 )	( 4,703,866 )
Other current assets		( 328,004 )	( 347,916 )
Changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		18,947	( 18,357 )
Contract liabilities - current		363,003	193,640
Notes and accounts payable		( 369,329 )	3,160,528
Other payables		559,101	658,097
Provision for liabilities - current		55,936	32,412
Other current liabilities		44,819	109,211
Other non-current liabilities		( 59,057 )	81,724
Cash inflow generated from operations		10,720,120	12,489,773
Interest received		43,487	27,467
Dividends received		249,959	185,473
Interest paid		( 26,923 )	( 1,024 )
Income taxes paid		( 1,255,369 )	( 2,027,449 )
Net cash flows provided by operating activities		9,731,274	10,674,240
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		( 78,075 )	( 13,808 )
Proceeds from disposal of financial assets at amortised cost		62,024	50,194
Acquisition of financial assets at fair value through profit or loss		( 885,907 )	( 1,542,673 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	16
Cash returned from capital reduction of financial assets at fair value through other comprehensive income		-	17,980
Acquisition of investments accounted for under equity method	6(7)	( 53,050 )	( 398,868 )
Proceeds from disposal of investment accounted for under equity method	6(7)	14,232	8,676
Dividends received from associates		184,112	151,729
Acquisition of property, plant and equipment	6(8)	( 1,320,449 )	( 1,022,442 )
Proceeds from disposal of property, plant and equipment		9,494	135,209
Acquisition of intangible assets	6(10)	( 124,429 )	( 186,074 )
Increase in refundable deposits		( 12,722 )	( 8,365 )
(Increase) decrease in other non-current assets		( 2,245 )	3,427
Increase in prepayments for business facilities		( 32,587 )	( 13,450 )
Net cash flows used in investing activities		( 2,239,602 )	( 2,818,449 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(29)	279,530	90,830
Increase in long-term borrowings	6(29)	121,500	-
Decrease in guarantee deposits received		( 120 )	( 714 )
Payments of lease liabilities	6(9)(29)	( 251,492 )	( 248,716 )
Payments of cash dividends	6(18)	( 6,195,710 )	( 5,480,813 )
Employee share options exercised		436,270	199,865
Dividends paid to non-controlling interests	6(20)	( 40,607 )	( 25,675 )
Liquidation of subsidiary and refund of shares to non-controlling interests		-	( 73,125 )
Change in non-controlling interests	6(28)	2,004	( 25,262 )
Net cash flows used in financing activities		( 5,648,625 )	( 5,563,610 )
Effect of exchange rate changes		885,586	488,471
Net increase in cash and cash equivalents		2,728,633	1,809,710
Cash and cash equivalents at beginning of year		9,301,152	7,497,442
Cash and cash equivalents at end of year		\$ 12,029,785	\$ 9,301,152

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of ADVANTECH CO., LTD.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of ADVANTECH CO., LTD. as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of ADVANTECH CO., LTD. as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of ADVANTECH CO., LTD. in accordance with the Norm of Professional Ethics for Certified Public Accountant in 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 judgements, were of most significance in our audit of ADVANTECH CO., LTD.'s 2022 financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for ADVANTECH CO., LTD.'s 2022 financial statements are stated as follows:

### ***Valuation of inventories***

#### **Description**

Refer to Note 4(12) for the accounting policies on the valuation of inventories, Note 5 for the uncertainty of accounting estimations and assumptions for the valuation of inventories, and Note 6(5) for the details for inventory valuation. ADVANTECH CO., LTD.'s inventory and allowance for inventory valuation as at December 31, 2022 are \$6,746,023 thousand and \$459,247 thousand, respectively.

ADVANTECH CO., LTD. is primarily engaged in the manufacture and sales of embedded computer boards, industrial automation products, applied computers and industrial computers. Due to the rapid changes in technological environment and industrial characteristics, inventories of ADVANTECH CO., LTD. are available in different sizes and types. Since the valuation of inventories is subject to management's judgment and the accounting estimations will have significant influence on the inventory values, we considered the valuation of inventories as one of the key audit matters.

#### **How our audit addressed the matter**

Our audit procedures performed in ADVANTECH CO., LTD. and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follows:

1. Obtained an understanding of the policy on allowance for inventory valuation loss to affirm the reasonableness of application.
2. Validated the accuracy of the system logic in calculating the ageing of inventories.
3. Tested the basis of market value used in calculating the net realizable value of inventory and validated the accuracy of net realizable value calculation of selected samples.

## **Appropriateness of sales cut-off**

### **Description**

Refer to Note 4(29) for the related accounting policies on the recognition of sales revenue.

The sales revenue of ADVANTECH CO., LTD. is spread all over the world, with a large number of customers and different transaction conditions. Therefore, if the sales revenue is not properly recorded in the correct period, it may have a significant impact on the financial statements. Thus, we considered the appropriateness of sales cut-off as one of the key audit matters.

### **How our audit addressed the matter**

Our audit procedures performed in ADVANTECH CO., LTD. and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follows:

1. Obtained an understanding of and assessed internal controls in relation to sales revenue, and validated the operating effectiveness of those above-mentioned internal controls.
2. Tested the sales for a specific period prior to and after the balance sheet date, including confirming transaction terms, checking supporting documents and validating the proper timing of recognizing movements of inventories and respective transfer of cost of goods sold.
3. Inspected contents and relevant evidences to confirm whether there were any significant or unusual sales returns and discounts occurring subsequent to the reporting period.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability of ADVANTECH CO., LTD. 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 ADVANTECH CO., LTD. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of ADVANTECH CO., LTD.

***Independent auditors' responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only 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 Standards on Auditing of 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of ADVANTECH CO., LTD.

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 ability of ADVANTECH CO., LTD. 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 parent company only 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 ADVANTECH CO., LTD. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within ADVANTECH CO., LTD. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of parent financial statements.

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 parent company only financial statements of the current period 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

---

Liang, Hua-Ling

---

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2023

---

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ADVANTECH CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,657,737	9	\$ 3,608,918	7
1110	Financial assets at fair value through profit or loss - current	6(2)	2,682,957	4	1,081,067	2
1150	Notes receivable, net	6(4)	29,392	-	65,229	-
1170	Accounts receivable, net	6(4)	1,557,919	3	1,408,798	3
1180	Accounts receivable - related parties	7	7,165,182	12	6,127,176	12
1200	Other receivables		59,442	-	30,803	-
1210	Other receivables - related parties	7	20,334	-	17,966	-
130X	Inventories	6(5)	6,286,776	10	6,496,451	12
1470	Other current assets		343,178	1	265,057	-
11XX	Total current assets		23,802,917	39	19,101,465	36
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	101,050	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	1,394,345	2	1,981,237	4
1550	Investments accounted for under equity method	6(6)	26,804,475	45	23,744,210	45
1600	Property, plant and equipment	6(7) and 7	7,329,547	12	6,926,491	13
1755	Right-of-use assets	6(8)	4,627	-	7,541	-
1780	Intangible assets	6(9)	250,455	1	247,722	1
1840	Deferred income tax assets	6(22)	499,008	1	720,411	1
1915	Prepayments for business facilities		53,240	-	38,393	-
1990	Other non-current assets		16,703	-	9,851	-
15XX	Total non-current assets		36,453,450	61	33,675,856	64
1XXX	Total assets		\$ 60,256,367	100	\$ 52,777,321	100

(Continued)



ADVANTECH CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021		
			Notes	AMOUNT	%	AMOUNT	%
Current liabilities							
2120	Financial liabilities at fair value	6(2)					
	through profit or loss - current		\$	21,634	-	\$ 2,687	-
2130	Contract liabilities - current	6(17)		455,619	1	108,896	-
2170	Notes and accounts payable			3,937,922	6	4,589,558	9
2180	Accounts payable - related parties	7		2,144,907	4	1,924,592	4
2200	Other payables	6(10)		3,411,536	6	3,075,486	6
2220	Other payables - related parties	7		90,664	-	123,036	-
2230	Current income tax liabilities			3,188,785	5	2,340,847	4
2250	Provision for liabilities - current			72,773	-	70,859	-
2280	Lease liabilities - current	6(8)(24)		3,355	-	5,174	-
2300	Other current liabilities			124,665	-	131,750	-
21XX	Total current liabilities			13,451,860	22	12,372,885	23
Non-current liabilities							
2560	Current income tax liabilities - non-current			659,969	1	97,320	-
2570	Deferred income tax liabilities	6(22)		2,110,111	4	2,110,111	4
2580	Lease liabilities - non-current	6(8)(24)		506	-	2,262	-
2600	Other non-current liabilities	6(11)		219,219	-	342,216	1
25XX	Total non-current liabilities			2,989,805	5	2,551,909	5
2XXX	Total liabilities			16,441,665	27	14,924,794	28
Equity							
	Share capital	6(13)					
3110	Common share			7,778,434	13	7,738,228	15
3140	Advance receipts for share capital			1,335	-	6,410	-
	Capital surplus	6(14)					
3200	Capital surplus			9,110,280	15	8,388,886	15
	Retained earnings	6(15)					
3310	Legal reserve			8,552,226	14	7,737,236	15
3320	Special reserve			555,794	1	831,850	2
3350	Unappropriated retained earnings			17,750,074	30	13,705,710	26
	Other equity	6(16)					
3400	Other equity			66,559	-	(555,793)	(1)
3XXX	Total equity			43,814,702	73	37,852,527	72
	Significant contingent liabilities and unrecognized contract commitments	9					
	Significant events after the balance sheet date	11					
3X2X	Total liabilities and equity		\$	62,256,367	100	\$ 52,777,321	100

The accompanying notes are an integral part of these parent company only financial statements.

**ADVANTECH CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	For the years ended December 31,			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7	\$ 49,346,940	100	\$ 41,159,286	100
5000 Operating costs	6(5)(7)(8)(9)(11) (12)(21) and 7	( 34,791,915)	( 70)	( 28,750,865)	( 70)
5900 Gross profit		14,555,025	30	12,408,421	30
5910 Unrealised profit from sales		( 1,071,832)	( 2)	( 691,983)	( 2)
5920 Realised profit from sales		691,983	1	612,224	2
5950 Gross profit		14,175,176	29	12,328,662	30
Operating expenses	6(7)(8)(9)(11)(12) (21) and 7				
6100 Selling expenses		( 826,677)	( 2)	( 760,407)	( 2)
6200 General and administrative expenses		( 1,204,322)	( 2)	( 1,110,599)	( 3)
6300 Research and development expenses		( 3,346,921)	( 7)	( 3,070,694)	( 7)
6450 Expected credit impairment loss		( 5,815)	-	( 687)	-
6000 Total operating expenses		( 5,383,735)	( 11)	( 4,942,387)	( 12)
6900 Operating profit		8,791,441	18	7,386,275	18
Non-operating income and expenses					
7100 Interest income		6,299	-	178	-
7010 Other income	6(18) and 7	346,749	1	302,570	1
7020 Other gains and losses	6(2)(6)(19)	285,920	-	( 215,052)	-
7050 Finance costs	6(8)(20)	( 1,181)	-	( 202)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	3,268,688	7	2,239,031	5
7000 Total non-operating income and expenses		3,906,475	8	2,326,525	6
7900 Profit before income tax		12,697,916	26	9,712,800	24
7950 Income tax expense	6(22)	( 1,940,839)	( 4)	( 1,462,576)	( 4)
8200 Profit for the year		\$ 10,757,077	22	\$ 8,250,224	20

(Continued)

**ADVANTECH CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

				For the years ended December 31,			
				2022		2021	
Items		Notes	AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income</b>							
<b>Components of other comprehensive</b>							
<b>(loss) income that will not be</b>							
<b>reclassified to profit or loss</b>							
8311	Gain (loss) on remeasurements of defined benefit plans	6(11)	\$ 30,796	-	(\$ 4,716)	-	
8316	Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(16)	( 586,892)	( 1)	648,802	2	
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss	6(6)(16)	362,096	-	184,855	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	( 6,159)	-	943	-	
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		( 200,159)	( 1)	829,884	2	
<b>Components of other comprehensive</b>							
<b>income (loss) that will be</b>							
<b>reclassified to profit or loss</b>							
8361	Financial statements translation differences of foreign operations	6(16)	1,010,517	2	( 653,773)	( 1)	
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss	6(6)(16)	65,703	-	( 57,855)	-	
8399	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	( 215,244)	-	142,326	-	
8360	Other comprehensive income (loss) that will be reclassified to profit or loss		860,976	2	( 569,302)	( 1)	
8300	<b>Total other comprehensive income for the year</b>		<u>\$ 660,817</u>	<u>1</u>	<u>\$ 260,582</u>	<u>1</u>	
8500	<b>Total comprehensive income for the year</b>		<u>\$ 11,417,894</u>	<u>23</u>	<u>\$ 8,510,806</u>	<u>21</u>	
Earnings per share (in dollars)							
9750	Basic earnings per share	6(23)	<u>\$ 13.85</u>		<u>\$ 10.67</u>		
9850	Diluted earnings per share	6(23)	\$ 13.70		\$ 10.51		

The accompanying notes are an integral part of these parent company only financial statements.

**ADVANTECH CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

	Share Capital			Retained Earnings			Other Equity Interest				
	Notes	Common share	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee benefits compensation	Total equity
For the year ended December 31, 2021											
Balance at January 1, 2021		\$ 7,719,455	\$ 3,090	\$ 7,913,754	\$ 7,020,201	\$ 845,993	\$ 11,739,513	(\$ 1,006,635)	\$ 173,308	\$ 1,477	\$ 34,410,156
Profit for the year		-	-	-	-	-	8,250,224	-	-	-	8,250,224
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	(4,040)	(569,302)	833,924	-	260,582
Total comprehensive income (loss) for the year		-	-	-	-	-	-	(569,302)	833,924	-	8,510,806
Appropriations of 2020 earnings	6(15)	-	-	-	-	-	8,246,184	-	-	-	-
Legal reserve		-	-	-	717,035	-	(717,035)	-	-	-	-
Reversal of special reserve		-	-	-	-	(14,143)	14,143	-	-	-	-
Common share cash dividends		-	-	-	-	-	(5,480,813)	-	-	-	(5,480,813)
Recognition of employee share options	6(12)(13)	18,773	3,320	185,822	-	-	-	-	-	-	207,915
Compensation costs recognized for employee share options	6(12)(21)	-	-	291,441	-	-	-	-	-	-	291,441
Changes in associates and joint ventures accounted for under equity method	6(14)	-	-	-	-	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(14)	-	-	(25,474)	-	-	(80,199)	-	-	-	(105,673)
Changes in ownership interests in subsidiaries	6(14)	-	-	23,128	-	-	(3,401)	-	-	-	19,727
Disposal of financial assets at fair value through other comprehensive income	6(16)	-	-	215	-	-	(1,247)	-	-	-	(1,032)
Balance at December 31, 2021		\$ 7,738,228	\$ 6,410	\$ 8,388,886	\$ 7,737,236	\$ 831,850	\$ 13,705,710	(\$ 1,575,937)	\$ 1,018,667	\$ 1,477	\$ 37,852,527
For the year ended December 31, 2022											
Balance at January 1, 2022		\$ 7,738,228	\$ 6,410	\$ 8,388,886	\$ 7,737,236	\$ 831,850	\$ 13,705,710	(\$ 1,575,937)	\$ 1,018,667	\$ 1,477	\$ 37,852,527
Profit for the year		-	-	-	-	-	10,757,077	-	-	-	10,757,077
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	31,990	860,976	(232,149)	-	660,817
Total comprehensive income (loss) for the year		-	-	-	-	-	10,789,067	860,976	(232,149)	-	11,417,894
Appropriations of 2021 earnings	6(15)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	814,990	-	(814,990)	-	-	-	-
Reversal of special reserve		-	-	-	-	(276,056)	276,056	-	-	-	-
Common share cash dividends		-	-	-	-	-	(6,195,710)	-	-	-	(6,195,710)
Recognition of employee share options	6(12)(13)	40,206	(5,075)	401,139	-	-	-	-	-	-	436,270
Compensation costs recognized for employee share options	6(12)(21)	-	-	233,442	-	-	-	-	-	-	233,442
Changes in associates and joint ventures accounted for under equity method	6(14)(16)	-	-	-	-	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(14)	-	-	78,071	-	-	(6,403)	-	-	(5,517)	66,151
Changes in ownership interests in subsidiaries	6(14)	-	-	8,428	-	-	(4,614)	-	-	-	3,814
Disposal of financial assets at fair value through other comprehensive income owned by associates	6(16)	-	-	314	-	-	-	-	-	-	314
Balance at December 31, 2022		\$ 7,778,434	\$ 1,335	\$ 9,110,280	\$ 8,552,226	\$ 555,794	\$ 17,750,074	(\$ 714,961)	\$ 785,560	(\$ 4,040)	\$ 43,814,702

The accompanying notes are an integral part of these parent company only financial statements.

ADVANTECH CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31,	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		\$ 12,697,916	\$ 9,712,800
Adjustment items			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(21)	252,051	234,036
Amortisation	6(9)(21)	111,609	130,281
Expected credit impairment loss		5,815	687
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(19)	32,934	( 66,881 )
Finance costs	6(8)(20)	1,181	202
Interest income		( 6,299 )	( 178 )
Dividend income	6(18)	206,257	131,626
Compensation costs of employee share options	6(12)(21)	233,442	291,441
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		( 3,268,688 )	( 2,239,031 )
Loss (gain) on disposal of property, plant and equipment	6(19)	18	( 71,945 )
Unrealised profit from sales		1,071,832	691,983
Realised profit from sales		( 691,983 )	( 612,224 )
Others		-	( 22,469 )
Impairment loss	6(19)	-	215,068
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		( 1,635,874 )	2,638,632
Notes receivable		35,837	( 44,721 )
Notes receivable - related parties		-	6,775
Accounts receivable		( 154,936 )	( 277,899 )
Accounts receivable - related parties		( 1,038,006 )	( 1,190,756 )
Other receivables		( 9,718 )	101,147
Other receivables - related parties		( 2,368 )	8,389
Inventories		209,675	( 2,798,952 )
Other current assets		( 69,349 )	( 210,611 )
Changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		18,947	( 18,357 )
Contract liabilities - current		346,723	29,565
Notes and accounts payable		( 660,408 )	2,419,057
Accounts payable - related parties		220,315	131,220
Other payables		336,050	583,288
Other payables - related parties		( 32,372 )	58,863
Provision for liabilities - current		1,914	10,196
Other current liabilities		( 7,085 )	( 4,862 )
Other non-current liabilities		1,130	802
Net defined benefit liabilities		( 93,331 )	( 4,416 )
Cash inflow generated from operations		7,700,715	9,569,504
Dividends received		206,257	131,626
Interest received		6,299	178
Income tax paid		( 549,175 )	( 1,499,559 )
Interest paid		( 1,091 )	( 68 )
Net cash flows provided by operating activities		7,363,005	8,201,681
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at fair value through profit or loss		( 100,000 )	-
Acquisition of investments accounted for under equity method		( 34,740 )	( 1,166,690 )
Dividends received from subsidiaries and associates		1,328,036	384,280
Proceeds from disposal of subsidiaries		43,875	92,123
Cash received from liquidation of subsidiaries		-	10,059
Acquisition of property, plant and equipment	6(7)	( 642,067 )	( 644,863 )
Proceeds from disposal of property, plant and equipment		121	127,217
Acquisition of intangible assets	6(9)	( 114,342 )	( 151,097 )
Increase in prepayments for business facilities		( 21,937 )	( 13,084 )
Increase in refundable deposits		( 6,852 )	( 3,719 )
Net cash flows provided by (used in) investing activities		452,094	( 1,365,774 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in guarantee deposits received		-	( 700 )
Payments of lease liabilities	6(8)(24)	( 6,840 )	( 7,937 )
Payments of cash dividends	6(15)	( 6,195,710 )	( 5,480,813 )
Employee share options exercised		436,270	199,865
Net cash flows used in financing activities		( 5,766,280 )	( 5,289,585 )
Net increase in cash and cash equivalents		2,048,819	1,546,322
Cash and cash equivalents at beginning of year		3,608,918	2,062,596
Cash and cash equivalents at end of year		\$ 5,657,737	\$ 3,608,918

The accompanying notes are an integral part of these parent company only financial statements.

Advantech Co., Ltd.  
2022 Profit Distribution Table

Unit: NT\$

Item	Total
Unappropriated retained earnings - beginning	6,971,065,420
Using the equity method adjusted in retained earnings	(11,017,508)
Remeasurements of the defined benefit recognized in retained earnings	31,990,380
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	958,450
Adjusted Unappropriated Retained Earnings	6,992,996,742
Add: Net income	10,757,076,798
Less: 10% legal reserve appropriated	(1,077,900,812)
Add: Reversed special reserve	555,793,996
Current earnings available for distribution	17,227,966,724
Distributions:	
Common stock cash dividend ( Dividends Per Share \$10)	(7,779,769,710)
Share dividends ( Dividends Per Share \$1 )	(777,976,970)
Unappropriated retained earnings - ending	8,670,220,044

Chairman: K.C. Liu

President: Eric Chen  
Miller Chang  
Linda Tsai

Chief Financial officer: Mandy Lin

Advantech Co., Ltd.

2023 Employee Stock Option Plan

I. Purpose

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

II. Grant Period

Employee stock options will be handled by resolutions of the Board of Directors, and granted one or more times within two year of the date of official notification of approval. The actual issue dates will be decided by the Chairman.

III. Qualifications and Conditions for Optionees

Stock options are offered according to levels of contribution to the company, to full-time employees in any enterprise where the Company owns over 50% of total investment, either through direct or indirect investment. The Chariman decides on stock option amount and time windows in accordance to job performance and special achievements, and will submit such decisions to the Board for approval. Executive: approval by the Compensation Committee must be obtained first then reviewed by the Board of Director for approval for employees who are managerial officers or directors Non-executive: approval by the Audit Committee must be obtained first then reviewed by the Board of Director for approval for employees who are non-executive officers.

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

IV. Total Number of Employee Stock Options to Be Granted

A total of 8,000,000 units of employee stock options are to be granted. Each unit of the employee stock option enables an optionee to subscribe 1 share. The total number of new common shares to be reserved for the employee stock options is 8,000,000.

V. Terms and Conditions

(1) Exercise Price

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

(2) Exercise Period

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

Numbers of Years after Grant Date Accumulated Percentage of Exercisable Options

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

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

2. The Company shall have the right to revoke and cancel the employee stock options not yet exercisable if an optionee violates the employment agreement or employee handbook after being granted the employee stock options.
3. The Board of Directors may adjust the aforesaid schedule and percentage of exercisable options, as the case may be.

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

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

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

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

2. Retirement (retirement by law)

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

3. Death



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

#### 4. Transfer

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

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

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

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

### VI. Underlying Shares

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

### VII. Adjustment of Exercise Price

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

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

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

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

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

- (3) If cash dividends and stock dividends are issued at the same time (including recapitalization from retained earnings and recapitalization from capital reserves), the exercise price shall be adjusted in accordance with the cash dividends and then the stock dividends.
- (4) After employee stock options are granted, in case of the Company's capital reduction not caused by the cancellation of the Company's treasury shares, the exercise price shall be adjusted on the record date based on the following formula (rounded up to the nearest NT\$0.1):

Capital reduction to offset accumulated losses

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

Capital reduction by cash refund

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

#### VIII. Procedures for Exercising Employee Stock Options

- (1) Except for the closed period prescribed by law and the restricted period set forth in Paragraph 1, Article 10 herein, an optionee may exercise his/her employee stock options in accordance with the schedule stipulated in Paragraph 2, Article 5 herein. The optionee shall fill out an exercise request and submit it to the Company's stock transfer agent. The exercise request shall become effective upon the Company's receipt and shall not be withdrawn thereafter.
- (2) After the receipt of the aforesaid exercise request, the Company's stock transfer agent shall notify the optionee to make a payment for the shares to a designated bank.
- (3) After collecting full payment for the shares, the Company's stock transfer agent shall register the optionee and his/her shares in the shareholders' register and transfer the newly issued shares to the optionee within five business days through the book-entry system.
- (4) The common shares so issued shall be tradable on the exchange from the date of transfer to an optionee. If the common shares of the Company are traded on the Taiwan Stock Exchange in accordance with the law, the newly issued common shares of the Company will be listed for trading from the date of transfer to the optionees.
- (5) The Company shall make an announcement of the number of shares transferred due to the exercise of employee stock options in a given quarter within 15 days after the end of such quarter, and shall apply to the company registration authority at least once a quarter to register the change in capital for the shares so issued.

The Company may adjust or cancel the aforesaid registration of changes in share capital if

less than 20 days elapse from the record date of distribution of free shares, record date of registration of changes in preferred share capital, and record date of registration of changes in share capital.

#### IX. Where Exercise Price Is Lower than Face Value of Common Share

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

#### X. Limitations after Exercise of Employee Stock Options

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

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

#### XI. Confidentiality

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

#### XII. Implementation Rules

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

#### XIII. Other Important Stipulations

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

## **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. CF01011 Medical Devices Manufacturing.
18. 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 2 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.

The Company may hold a shareholders meeting by means of a visual communication network or other methods promulgated by the central competent authority.

**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 three 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 Company has established an Audit Committee based on Article 14-4 of Securities and Exchange Act.
- 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 Audit Committee of the Company fully consists of independent directors. The exercise of powers and related matters by the Committee and its members shall be performed in accordance with the laws and regulations stipulated by the competent authority.
- 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 21<sup>st</sup> amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.

The 22<sup>nd</sup> amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.

The 23<sup>rd</sup> amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.

The 24<sup>th</sup> amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.

The 25<sup>th</sup> amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.

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

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

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

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

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

The 31<sup>st</sup> amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012

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

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

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

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

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

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

The 38<sup>th</sup> amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2020.

The 39<sup>th</sup> amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2021.

The 40<sup>th</sup> amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2022.

**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 :** Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the Board of Directors.

Changes to the means of convening a shareholders' meeting shall be subject to a resolution of the Board of Directors, and shall be made no later than the delivery of the shareholders' meeting notice. The Company shall specify in its shareholders meeting notices the time during which shareholder, solicitor, and proxy agent (shareholder) attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and shall have number of suitable personnel assigned to handle the registrations. Where a shareholders meeting is held by means of visual communication network, shareholders shall register on the visual networking platform at least thirty minutes prior to the time the meeting commences. Shareholders who have completed the registration shall be deemed to have attended the shareholders meeting in person. 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. Where a shareholders meeting is held by means of visual communication network, shareholders who intend to attend the meeting by means of visual communication network shall register with the Company two days prior to the shareholders meeting.

Where a shareholders meeting is held by means of visual communication network, the Company shall upload the meeting handbook, annual report, and other information to the visual networking platform at least thirty minutes before the start of the shareholders meeting and shall maintain their availability until the end of the meeting.

When the Company announces the commencement of a shareholders' meeting by means of a visual communication network, it shall disclose the total number of shares held by attending shareholders on the visual networking platform. The same shall apply if the total number of shares and voting rights of the shareholders attending the meeting are counted during the meeting.

**Article 2.1 :** The attendance and resolution in the shareholders' meeting shall be based on the shares.

The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in and the number of shares registered on the visual networking platform plus the number of shares whose voting rights are exercised by correspondence or

electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of non-voting shares and the number of shares represented by shareholders attending the meeting.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. If a shareholders meeting is held by means of visual communication network, the Company shall also announce the adjournment of the shareholders meeting on the visual networking platform.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. If a shareholders meeting is held by means of visual communication network, shareholders who intend to attend the meeting by means of visual communication network shall re-register with the Company in accordance with Article 2 herein.

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.

When the Company convenes a shareholders meeting by means of visual communication network, it is not subject to the restrictions on the venue for a shareholders meeting mentioned in the preceding paragraph.

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.

When a shareholders meeting is held by means of visual communication network, the Company shall record and retain the shareholders' registration, sign-in, attendance registration, questions, voting, and vote counting results and make uninterrupted audio and video recording of the shareholders meeting.

The information and the audio and video recording mentioned in the preceding paragraph shall be properly retained by the Company throughout the life of the Company, and the audio and video recording shall be sent to an institution that is entrusted to handle video conferencing affairs for retention.

Article 2.5 : When a shareholders meeting is held by means of visual communication

network, the Company shall make an audio and video recording of the backend user interface of the visual networking platform.

When the Company holds a shareholders meeting by means of visual communication network, it shall specify the following matters in the shareholders meeting notice:

- (1) Methods for shareholders to attend and exercise their rights in a shareholders meeting held by means of visual communication network.
- (2) Methods for handling obstacles to the visual networking platform or attendance at a shareholders meeting by means of visual communication network due to natural disasters, incidents, or other force majeure circumstances, including but not limited to:
  - a. Where the aforesaid obstacles cannot be removed, the Company shall set a time limit for the postponement or reconvention of the shareholders meeting, as well as the date for the postponed or reconvened shareholders meeting if applicable.
  - b. Shareholders who have not registered to attend the original shareholders meeting by means of visual communication network shall not attend the postponed or reconvened shareholders meeting.
  - c. When the Company holds a video-assisted shareholders meeting and fails to proceed with the meeting by means of visual communication network, the shareholders meeting shall continue if the number of shares held by the attending shareholders, after deducting the number of shares held by shareholders attending the meeting by means of visual communication network, reaches the quorum. For shareholders attending the meeting by means of visual communication network, the number of shares held by them shall be included in the total number of shares held by the attending shareholders, but they shall be deemed to have waived their rights with respect to all proposals in the shareholders meeting.
  - d. Methods for handling the situation where all proposals have been resolved without extraordinary motions.
- (3) When convening a shareholders meeting by means of visual communication network, the Company shall specify appropriate alternatives for shareholders who may have difficulty attending the meeting by means of visual communication network.

**Article 3 :** 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 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.

If a shareholders meeting is held by means of visual communication network, shareholders attending the meeting by means of visual communication network may ask questions in text form on the visual networking platform after the chair declares the commencement of the meeting and before the chair declares the adjournment of the meeting. Up to two questions may be asked per proposal, with each question limited to 200 words. The provisions of Paragraphs 1 to 3 do not apply.

If the questions mentioned in the preceding paragraph do not violate the regulations or go beyond the scope of the proposal, the Company shall make the questions public on the visual networking platform.

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.  
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.  
At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
- 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 12.3 : When the Company convenes a shareholders meeting by means of visual communication network, shareholders attending the meeting by means of visual communication network shall vote on the proposals and the election on the visual networking platform after the chair announces the commencement of the meeting and before the chair announces the close of voting. Shareholders failing to vote before the said time limit will be deemed to have abstained.  
If a shareholders meeting is held by means of visual communication network, votes shall be counted at a time after the chair announces the close of voting, followed by the announcement of voting and election results.  
When the Company holds a video-assisted shareholders meeting, shareholders who have registered to attend the meeting by means of visual communication network in accordance with Article 2 and intend to attend the meeting in person shall cancel the registration in the same manner as registration two days before the shareholders meeting; shareholders who fail to cancel the registration within the said time limit may only attend the shareholders meeting by means of visual communication network.  
Shareholders who exercise their voting rights by correspondence or electronically without revoking their intentions and attend the shareholders meeting by means of visual communication network shall not exercise their voting rights with respect to the original proposals, propose amendments to the original proposals, or exercise their voting rights with respect to the amendments to the original proposals, except for extraordinary motions.
- 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 : 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.

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.

If a shareholders meeting is held by means of visual communication network, the minutes at the shareholders meeting shall record the start and end time of the meeting, the method of convening the meeting, and the names of the chairman and the minute taker, as well as the methods and results of handling obstacles to the visual networking platform or attendance by means of visual communication network due to natural disasters, incidents, or other force majeure circumstances, in addition to matters mentioned in the preceding paragraph.

When the Company convenes a shareholders meeting by means of visual communication network, it shall specify in the meeting minutes the alternatives provided for shareholders who have difficulty attending the meeting by means of visual communication network while complying with the provisions of the preceding paragraph.

Article 17 : If a shareholders meeting is held by means of visual communication network, the Company shall immediately disclose the voting results of the proposals and the election results on the visual networking platform in accordance with the regulations and shall maintain their availability for at least fifteen minutes after the chair announces the adjournment of the meeting.

Article 18 : When the Company holds a shareholders meeting by means of visual communication network, the chair and the minute taker shall be at the same place domestically, and the chair shall announce the address of the place at the time of the meeting.

Article 19 : If a shareholders meeting is held by means of visual communication network, the chair shall, when announcing the commencement of the meeting, also announce that, should the meeting be adjourned due to obstacles to the visual networking platform or attendance by means of visual communication



network that are caused by natural disasters, incidents, or other force majeure circumstances and last for more than thirty minutes, the meeting shall be postponed or reconvened within five days, as well as the date for the postponed or reconvened meeting, except for the circumstances where there is no need to postpone or reconvene the shareholders meeting as stipulated in Paragraph 4, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies. Article 182 of the Company Act does not apply.

Where a shareholders meeting is postponed or reconvened as mentioned in the preceding paragraph, shareholders who have not registered to attend the original shareholders meeting by means of visual communication network shall not attend the postponed or reconvened meeting.

If shareholders who have registered to attend the original shareholders meeting by means of visual communication network and completed the attendance registration fail to attend the shareholders meeting that is adjourned or reconvened in accordance with Paragraph 1, the number of shares held by them and their voting rights and election rights exercised at the original shareholders meeting shall be included in the total number of shares and voting rights and election rights held by the attending shareholders in the adjourned or reconvened meeting.

When a shareholders meeting is postponed or reconvened in accordance with Paragraph 1, there is no need to discuss and resolve again on the proposals whose voting results have been announced after voting and counting of votes or from which a list of elected directors have been announced.

When the Company holds a video-assisted shareholders meeting and fails to proceed with the meeting by means of visual communication network, the shareholders meeting shall continue if the number of shares held by the attending shareholders, after deducting the number of shares held by shareholders attending the meeting by means of visual communication network, reaches the quorum. There is no need to postpone or reconvene the shareholders meeting in accordance with Paragraph 1.

If a shareholders meeting shall continue in accordance with the preceding paragraph, the number of shares held by shareholders attending the meeting by means of visual communication network shall be included in the total number of shares held by the attending shareholders; however, shareholders who attend the shareholders meeting by means of visual communication network shall be deemed to have waived their rights with respect to all proposals in the meeting.

When the Company postpones or reconvenes a shareholders meeting in accordance with Paragraph 1, it shall make preparations for the meeting based on the date of the original shareholders meeting and in accordance with Paragraph 7, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

The Company shall base the periods prescribed in the latter part of Article 12 and Paragraph 3, Article 13 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies and in Paragraph 2, Article 44-5, Article 44-15, and Paragraph 1, Article 44-17 of the Regulations Governing the Administration of Shareholder Services of Public Companies on the date for the shareholders meeting postponed or reconvened in accordance with Paragraph 1.

- Article 20 : When the Company convenes a shareholders meeting by means of visual communication network, it shall provide appropriate alternatives for shareholders who have difficulty in attending the shareholders meeting by means of visual communication network.
- Article 21 : 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 22 : The “Rules of Procedure for Shareholders’ Meetings” is in effect after it is passed in the shareholders’ meeting, same for the amendments made.
- Article 23 : These Procedures were established on May 3, 1997.  
The 1st amendment was made on April 24, 1999.  
The 2nd amendment was made on May 30, 2002.  
The 3rd amendment was made on June 16, 2006.  
The 4th amendment was made on May 18, 2010.  
The 5th amendment was made on June 13, 2011.  
The 6th amendment was made on June 13, 2012.  
The 7th amendment was made on May 26, 2017.  
The 8th amendment was made on August 19, 2021.  
The 9th amendment was made on May 26, 2022.

**Advantech Co., Ltd.**

**Rules for the Election of Directors**

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

A r t i c l e 9 : Ballots are invalid in any of the following circumstances:

1. Votes that are not in compliance with the “Rules for the Election of Directors and Supervisors.”
2. The number of elected candidates exceeds the number of chairs designated.
3. The total votes casted by the voters exceed the valid votes held.
4. The shareholder’s account number and name of the candidate who is a shareholder differs from the Shareholder Registry, or, the name and ID Card number of the candidate who is not a shareholder is found with nonconformity.
5. Unidentifiable ballot due to illegible or incomplete corrections.
6. The name of the candidate is same as other shareholder but failed to state the candidate’s shareholder account number or ID Card number for identification.
7. Ballot contains not only the candidate’s name, shareholder account number or ID Card number and the votes of suffrage, but also other unauthorized information.
8. Blank ballots that are casted in the ballot box.
9. Ballots that are not casted in the designated voting zone.

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

A r t i c l e 11 : The Company is to issue a certificate of election to each elected director.

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

A r t i c l e 13 : The “Rules for the Election of Directors and Supervisors” is in effect after it is passed in the shareholders’ meeting, same for the amendments made.

A r t i c l e 14 : The “Rules for the Election of Directors and Supervisors” was established on May 3, 1997 with the 1<sup>st</sup> amendment made on April 24, 1999, the 2<sup>nd</sup> amendment made on May 30, 2002, and the 3<sup>rd</sup> amendment made on June 15, 2007. The 4th amendment of the Rules for the Election of Directors and Supervisors was made on May 28, 2015.

## Current Shareholding of Directors

1. The paid-in capital of the Company is NTD 7,784,871,910 , with a total of 778,487,191 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 24,911,590 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 27, 2023

Title	Name	Representative	Shareholding on the shareholder's registry	
			Shares	% Ratio (%)
Chairman	K.C. Liu		28,179,467	3.62%
Director	K and M Investment Co., Ltd.	Wesley.Liu	91,369,108	11.74%
Director	AIDC Investment Corp.	Donald Chang	90,295,663	11.60%
Director	Advantech Foundation.	Chaney Ho	22,314,809	2.87%
Independent Director	Jeff Chen		0	0
Independent Director	Benson Liu		0	0
Independent Director	Chan-Jane Lin		0	0
Total			232,159,047	29.83%

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

Item		Year	2023
Beginning paid-in Capital (NT\$)			777,976,971
Dividend Distribution	Cash dividend per share (NT\$)		10
	Stock dividend per share for capital increase from retained earnings (Share)		0.1
	Stock dividend per share for capital increase from capital reserve (Share)		-
Business Performance Variation	Operating Profit		N/A
	Year-on-year increase / decrease (%) of operating profit		
	Net profit after		
	Year-on-year increase / decrease (%) of net profit after tax		
	Earnings per share		
	Year-on-year increase / decrease (%) of earnings per share		
	Average return over investment (annualized)		
Pro forma earnings per share and its P/E ratio	If cash dividend is distributed instead of capital increase	Pro forma earnings per share (NTD)	N/A
		Pro forma average return over investment (annualized)	
	If no capital increase from capital reserve	Pro forma earnings per share (NTD)	
		Pro forma average return over investment (annualized)	
	If no capital reserve and cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share (NTD)	N/A
		Pro forma average return over investment (annualized)	