

Advantech Co.,Ltd.
2017 Annual Shareholders' Meeting
Meeting Minutes
(Translation)

Time : 09:00 AM,May 26,2017

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

Total outstanding ACL shares : 633,254,100 shares

Total shares represented by shareholders present in person or by proxy : 574,350,035 shares

Percentage of outstanding share held by shareholders present in person or by proxy : 90.70%

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

Attendees: Joseph Yu (Independent Director), Donald Chang (Director) ,Thomas Chen (Supervisor), James Wu (Supervisor),Chaney Ho (President),Eric Chen (Vice President), Meng Chieh Chiu, CPA, Deloitte, Villis Yang (Director)

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

Chairman's Address (omitted)

I. Management Presentations

- 1.The 2016 Business Report (see appendix I)
- 2.Supervisor's Review Report on the 2016 Financial Statements (see appendix II)
3. Report of Employees' compensation and Directors' compensation of 2016.
4. The Status of Endorsement and Guarantee in 2016 (see meeting agenda)

II. Proposals

1. Adoption of the 2016 Business Report and Financial Statements
(Proposed by the board of directors)

Explanation:

- (1) The 2016 business report and standalone financial statements (including consolidated financial statements) were composed by the Board of Directors. The Company's financial statements were audited by independent auditors, M.J. Chiou and C.S. Chen, of Deloitte & Touche and were reviewed by the supervisor along with the business report with a written audit report issued.
- (2) The Business Report, independent auditor's report, and Financial Statements are

enclosed as Attachment I and Attachment III.

(3) Please acknowledge.

Voting Results:

574,350,035 shares were represented at the time of voting; 525,513,680 votes were in favor of the proposal (including votes casted electronically: 207,577,803); 228,391 votes were cast against the proposal (including votes casted electronically: 228,391); 0 votes were invalid; 48,607,964 votes were either invalidly cast or abstained (including votes casted electronically: 48,208,129).

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

2. Adoption of the Proposal for Distribution of 2016 Earnings.

(Proposed by the board of directors)

Explanation:

- (1) Please refer to the 2016 prorofit distribution table in Attachment IV.
- (2) The net income of the company amounted to NT\$5,666,862,329 for 2016. Added the beginning unappropriated earnings of NT\$2,796,896,578 and deducted net of the retained earnings adjustment for NT\$3,691,230 due to long-term equity investments, actuarial loss recognized in retained earnings of NT\$24,282,918, the legal reserve of NT\$566,686,233 and special reserve of NT\$85,203,650, the distributable earnings for 2016 amounted to NT\$7,783,894,876 resulted to be distributed as follows:

- (3) The amounts of NT\$3,988,366,830 and NT\$633,074,100 out of the 2016 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively.

There were 633,074,100 shares of common stock outstanding on December 31, 2016 that are entitled to the distribution of shareholder's dividend at NT\$7.3 per share.

- (4) The distribution of cash dividend is calculated to the dollar (round up to the dollar). The total amount of the odd shares with a distribution of less than NT\$1 will be booked as the other income or other expense of the company.
- (5) The current distribution of earnings is scheduled before the dividend benchmark date. If there is any change in the yield rate as a result of any change in the Company's outstanding shares, a request is to be made in the shareholders' meeting having the Chairman authorized to handle matters related to the changes.
- (6) Upon the approval of the Annual General Shareholder's Meeting, it is proposed that the Chairman is authorized to resolve the ex-dividend date and other relevant issues.

Voting Results:

574,350,035 shares were represented at the time of voting; 525,740,680 votes were in favor of the proposal (including votes casted electronically: 256,014,323); 1,391 votes were cast against the proposal (including votes castedelectronically: 1,391); 0 votes wereinvalid; 48,607,964 votes were either invalidly cast or abstained (including votes casted electronically: 48,208,129).

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

III. Discussion and Election

1. Issuance of new shares from capital increase by earnings. Please proceed to resolve.

(Proposed by the board of directors)

Explanation:

- (1) In response to the business development, the Company plans to issue 63,307,410 shares from capital increase by the 2016 dividends distributed to shareholders at the amount of NT\$633,074,100, 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 shares 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.
- (5) Please proceed to discuss.

Voting Results:

574,350,035 shares were represented at the time of voting; 503,042,495 votes were in favor of the proposal (including votes casted electronically: 185,106,618); 22,484,906 votes were cast against the proposal (including votes castedelectronically: 22,484,906); 0 votes wereinvalid; 48,822,634 votes were either invalidly cast or abstained (including votes casted electronically: 48,422,799).

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

2. Amendment to the “ Articles of Incorporation ”

(Proposed by the board of directors)

Explanation:

- (1) In order to comply with the law and relevant regulations and to conform to the needs of Commercial practice, the Company hereby proposes to amend the Articles of Incorporation. Please refer to Attachment V.
- (2) Please proceed to discuss .

Voting Results:

574,350,035 shares were represented at the time of voting; 525,739,580 votes were in favor of the proposal (including votes casted electronically: 207,803,703); 1,391 votes were cast against the proposal (including votes castedelectronically: 1,391); 0 votes wereinvalid; 48,609,064 votes were either invalidly cast or abstained (including votes casted electronically: 48,209,229).

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

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

(Proposed by the board of directors)

Explanation:

- (1) The proposal is handled according to Financial Supervisory Commission Order Gin-Guan-Zheng-Fa-Zi No. 1060001296 dated February 9, 2017.
- (2) In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures For Acquisition or Disposal of Assets . Please refer to Attachment VI.
- (3) Please proceed to discuss .

Voting Results:

574,350,035 shares were represented at the time of voting; 525,739,580 votes were in favor of the proposal (including votes casted electronically: 207,803,703); 1,391 votes were cast against the proposal (including votes castedelectronically: 1,391); 0 votes wereinvalid; 48,609,064 votes were either invalidly cast or abstained (including votes casted electronically: 48,209,229).

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

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

(Proposed by the board of directors)

Explanation:

(1) In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures for Lending Funds to Other Parties . Please refer to Attachment VII.

(2) Please proceed to discuss .

Voting Results:

574,350,035 shares were represented at the time of voting; 525,739,580 votes were in favor of the proposal (including votes casted electronically: 207,803,703); 1,391 votes were cast against the proposal (including votes castedelectronically: 1,391); 0 votes wereinvalid; 48,609,064 votes were either invalidly cast or abstained (including votes casted electronically: 48,209,229).

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

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

(1) In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures for Endorsement & Guarantee . Please refer to Attachment VIII.

(2) Please proceed to discuss .

Voting Results:

574,350,035 shares were represented at the time of voting; 525,739,580 votes were in favor of the proposal (including votes casted electronically: 207,803,703); 1,391 votes were cast against the proposal (including votes castedelectronically: 1,391); 0 votes wereinvalid; 48,609,064 votes were either invalidly cast or abstained (including votes casted electronically: 48,209,229).

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

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

(Proposed by the board of directors)

Explanation:

(1) In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Procedures for Financial Derivatives Transactions . Please refer to Attachment IX .

(2) Please proceed to discuss .

Voting Results:

574,350,035 shares were represented at the time of voting; 525,739,580 votes

were in favor of the proposal (including votes casted electronically: 207,803,703); 1,391 votes were cast against the proposal (including votes castedelectronically: 1,391); 0 votes wereinvalid; 48,609,064 votes were either invalidly cast or abstained (including votes casted electronically: 48,209,229).
Approved, that the above proposal be and hereby were accepted as submitted.

7. Amendment to the “ Rules and Procedures of Shareholders’ Meeting ”.

(Proposed by the board of directors)

Explanation:

(1) In order to comply with the law and relevant regulations and to conform to the needs of commercial practice, the Company hereby proposes to amend the Rules and Procedures of Shareholders’ Meeting . Please refer to Attachment X .

(2) Please proceed to discuss .

Voting Results:

574,350,035 shares were represented at the time of voting; 525,739,580 votes were in favor of the proposal (including votes casted electronically: 207,803,703); 1,391 votes were cast against the proposal (including votes castedelectronically: 1,391); 0 votes wereinvalid; 48,609,064 votes were either invalidly cast or abstained (including votes casted electronically: 48,209,229).

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

8. Discuss the disposal of Advantech LNC Technology Co., Ltd. Shares.

(Proposed by the board of directors)

Explanation:

(1) In response to the business development of the Company’s subsidiary, Advantech LNC Technology Co., Ltd. (hereinafter referred to as AdvantechLNC), and the recruitment and retention of professionals required by the Company, theCompany plans to first release 3,000,000 shares of Advantech LNC to thefounding executives of Advantech LNC at the price of NT\$18 per share and at the totalamount of NT\$54,000,000 in order to improve employees’ coherence and sense ofbelonging, further creating the interest of the Company and shareholders.

(2) Please proceed to discuss.

Voting Results:

574,350,035 shares were represented at the time of voting; 449,428,024 votes were in favor of the proposal (including votes casted electronically: 131,492,147);

75,886,190 votes were cast against the proposal (including votes casted electronically: 75,886,190); 0 votes were invalid; 49,035,821 votes were either invalidly cast or abstained (including votes casted electronically: 48,635,986).

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

9. Re-election of all directors. Please Vote.

Explanation:

- (1) As the term of the Company's directors and supervisors is about to expire, the reelection of directors and supervisors shall be held in the shareholders' meeting this year according to Article 13 of the Company's Articles of Incorporation.
- (2) The Company plans to set up 7~9 directors (including 3 independent directors) according to Article 13 of the Company's Articles of Incorporation. In the 13th reelection, 7 directors are planned to be set up (including 3 independent directors) with a term of 3 years and they may be eligible for reelection. The Company plans to establish the audit committee, which is composed of all independent directors, according to Article 13-6 of the Company's Articles of Incorporation. In addition, supervisors are abolished.
- (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 26, 2017 and ends on May 25, 2020.
- (5) According to Company's Article of Incorporation, the Company's disectors shall be elected from the nomination list. The qualification of the nominees has been reviewed by Board. Personal information of the nominees is as follows:

Category	Name	Education	Experience	Current position	Shares Held
Director	K.C. Liu	Department of Telecommunications Engineering, National Chiao Tung University	Founder of Advantech	Chairman of Advantech Corporate Investment 、 Chairman of Advanixs Corp. 、 Chairman of Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. 、 Chairman of Advantech Technology (China) Company Ltd. 、 Chairman of Shanghai Advantech Intelligent Services Co., Ltd 、 Chairman of Xi'an Advantech Software Ltd 、 Chairman of Advantech Intelligent Service. 、 Chairman of K and M Investment Co., Ltd. 、 Chairman of AdvanPOS Technology Co., Ltd. 、	23,292,484

				<p>Chairman of Advantech-LNC Technology Co., Ltd. ∙ Chairman of Advanixs Kun ShAN Corporation ∙ Chairman of Aimobile Co., Ltd. ∙ Chairman of Advantech Foundation ∙ Chairman of Advantech Japan Co., Ltd. ∙ Chairman of B+B Smartworx Inc. Director of AIDC Investment Corp. ∙ Director of Advantech Europe B.V. ∙ Director of DLoG GmbH ∙ Director of ADVANTECH INTERNATIONAL PT. ∙ Director of Advantech Electronics, S. De R. L. De C.V. Director of Advantech Technology Co., Ltd. Director of HK Advantech Technology Co., Ltd. ∙ Director of Advantech Automation Corp. ∙ Director of Advantech Automation Corp.(HK) Limited. ∙ Director of Advantech Brazil Ltd. ∙ Director of Advantech Co. Singapore Pte, Ltd. ∙ Director of Advantech Corp. ∙ Director of Advantech Europe Holding B.V. ∙ Director of Advantech Co., Malaysia Sdn.Bhd. ∙ Director of Advantech Poland Sp z.o.o ∙ Director of Advantech KR Co., Ltd. ∙ Director of Advantech Corporation (Thailand) Co., Ltd. ∙ Director of Advantech Industrial Computing India Private Limited. ∙ Director of Better Auto Holdings Limited. ∙ Director of Famous Now Limited.</p>	
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Director	Ted Hsu	EMBA , National Chiao Tung University	Chairman of Eeizprise Inc. 、 Director of ASUSTeK 、 Director of Asmedia Technology Inc. 、 Director of Eusol Biotech Co.,Ltd.	Chief Strategy Officer of ASUSTeK	0
Director	AIDC Investment Corp. Representative :Donald Chang	Bachelor Chemical Engineering, Chinese Culture University	President, 3M China Region 、 Vice President, 3M Southeast Asia Region 、 Managing Director, 3M Southeast Asia Region & 3M Singapore	Independent Director of Chung Hwapulp Corp.	74,636,266
Director	Advantech Foundation Representative :Chaney Ho	Tatung Institute of Technology,Taiwan	President of Le Wel Co.,Ltd.	Chairman of Advantech Innovative Design Co., Ltd. 、 Director of Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd 、 Director of Shanghai Advantech Intelligent Services Co., Ltd 、 Director of Advantech Technology (China) Company Ltd 、 Director of Advantech Co., Malaysia Sdn.Bhd.Director of Advantech KR Co., Ltd. 、 Director of Advantech Industrial Computing India Private Limited.	18,244,889
Independent Director	Jeff Chen	EMBA , Northwestern University	Stanley Black & Decker Inc. VP & President of Asia 、 Stanley Works HQ, VP Global Operations 、 Stanley Works Asia, President Asia Operations	Independent Director of Advantech Co.,Ltd.	0
Independent Director	Benson Liu	Master, International Business Administration, University of Northrop, USA	Chairman and President of Bristol-Myers Squibb (Taiwan) Ltd.	Independent Director, Global Unichip Corp Independent Director, Polylite Taiwan Co.,Ltd. Vice Chairman, Chinese Corporate Governance Association 、 Director, Maywufa Company Ltd.	0
Independent Director	Joseph Yu	PhD of Business Administration,	Associate Professor, Department of Business	Independent Director, Yuanta Securities Co.,	249

		University of Michigan	Administration, University of Illinois at Urbana-Champaign、Member, Taiwan Ministry of Economic Research and Development Committee、Dean, National Chengchi University, Department of Business Administration; Representative for National Chengchi University School of Business	Ltd·Independent Director, Yuanta Bank Co., Ltd. Professor, Department of Business Administration, National Chengchi University	
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Voting Results:

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

Title	Shareholders' NO	Name	Elected voting number
Director	1	K.C. Liu	529,544,496 votes
Director	Q1202*****	Ted Hsu	492,114,989 votes
Director	163	Advantech Foundation Representative : Chaney Ho	490,770,320 votes
Director	40	AIDC Investment Corp. Representative :Donald Chang	487,445,565 votes
Independent Director	P1002*****	Benson Liu	510,738,762 votes
Independent Director	17301	Joseph Yu	509,033,352 votes
Independent Director	B1006*****	Jeff Chen	507,790,289 votes

10. Exemption of the limitation of non-competition on the directors of the Company.

(Proposed by the board of directors)

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 2017 annual shareholders' meeting, from participation in competitive business is proposed in the shareholders' meeting for approval according to laws.

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

Title	Name	Company's English Name
Director	K.C. Liu	Chairman of Advantech Corporate Investment 、 Chairman of Advanixs Corp. 、 Chairman of Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. 、 Chairman of Advantech Technology (China) Company Ltd. 、 Chairman of Shanghai Advantech Intelligent Services Co., Ltd 、 Chairman of Xi'an Advantech Software Ltd 、 Chairman of Advantech Intelligent Service. 、 Chairman of K and M Investment Co., Ltd. 、 Chairman of AdvanPOS Technology Co., Ltd. 、 Chairman of Advantech-LNC Technology Co., Ltd. 、 Chairman of Advanixs Kun Shan Corporaton 、 Chairman of Aimobile Co., Ltd. 、 Chairman of Advantech Foundation 、 Chairman of Advantech Japan Co., Ltd. 、 Chairman of B+B Smartworx Inc. Director of AIDC Investment Corp. 、 Director of Advantech Europe B.V. 、 Director of DLoG GmbH 、 Director of ADVANTECH INTERNATIONAL PT. 、 Director of Advantech Electronics, S. De R. L. De C.V. Director of Advantech Technology Co., Ltd. Director of HK Advantech Technology Co., Ltd. 、 Director of Advantech Automation Corp. 、 Director of Advantech Automation Corp.(HK) Limited. 、 Director of Advantech Brazil Ltd. 、 Director of Advantech Co. Singapore Pte, Ltd. 、 Director of Advantech Corp. 、 Director of Advantech Europe Holding B.V. 、 Director of Advantech Co., Malaysia Sdn.Bhd. 、 Director of Advantech Poland Sp z.o.o 、 Director of Advantech KR Co., Ltd. 、 Director of Advantech Corporation (Thailand) Co., Ltd. 、 Director of Advantech Industrial Computing India Private Limited. 、 Director of Better Auto Holdings Limited. 、 Director of Famous Now Limited.
Director	Ted Hsu	Chairman of Eeizprise Inc. 、 Director of ASUSTeK 、 Director of Asmedia Technology Inc. 、 Director of Eusol Biotech Co., Ltd.
Director	AIDC Investment Corp. Representative : Donald Chang	Independent Director of Chung Hwapulp Corp.
Director	Advantech Foundation Representative : Chaney Ho	Chairman of Advantech Innovative Design Co., Ltd. 、 Director of Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd 、 Director of Shanghai Advantech Intelligent Services Co., Ltd 、 Director of Advantech Technology (China) Company Ltd 、 Director of Advantech Co., Malaysia Sdn.Bhd. Director of Advantech KR Co., Ltd. 、 Director of Advantech Industrial Computing India Private Limited.
Independent Director	Joseph Yu	Independent Director, Yuanta Securities Co., Ltd 、 Independent Director, Yuanta Bank Co., Ltd.

Independent Director	Benson Liu	Independent Director, Global Unichip Corp Independent Director, Polylite Taiwan Co.,Ltd. Independent Director, Vanguard International Semiconductor Co. Director, Maywufa Company Ltd.
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Voting Results:

574,350,035 shares were represented at the time of voting; 423,000,595 votes were in favor of the proposal (including votes casted electronically: 105,064,718); 95,180,712 votes were cast against the proposal (including votes casted electronically: 95,180,712); 0 votes were invalid; 56,168,728 votes were either invalidly cast or abstained (including votes casted electronically: 55,768,893).

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

V. Extemporary Motion: None.

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

Business Report

Dear shareholders:

2016 Summary of Results

In 2016, Advantech reported consolidated revenues of NT\$ 42 billion, an increase of ten percent over the NT\$38 billion of 2015. Net income was NT\$5.69 billion and diluted earnings per share were NT\$8.96. Gross profit margin was 40.8 percent, compared with 40.4 percent in 2015; and operating profit margin was 15.8 percent, compared with 15.6 percent a year earlier. Net profit margin was 13.54 percent, an increase of 0.05 percentage points from the previous year's 13.49 percent.

Our Vision for IoT

Advantech has been looking at Internet of Things (IoT) opportunities since 2010, in addition to our foundation in embedded systems and industrial PC segments. We position ourselves as “The Accelerator of the Intelligent Planet”. However, given the complexity of the IoT ecosystem, we believe the broad-based penetration of end-user demands and applications will happen in the next 10 to 15 years, but not today. Since 2016, Advantech has gradually experienced rising demand in industrial IoT and factory applications. Looking forward, in addition to more comprehensive internet infrastructure development, the support and acceleration from industrial companies (like GE, Schneider, Honeywell, Siemens, etc.) and service providers (like Microsoft, Amazon, and Google) are the essential catalysts of the IoT industry.

Advantech recognizes three waves of growth in the IoT industry. The first wave happened in 2010 and will gradually mature in 2020. The major beneficiaries are IoT device providers, such as fabless houses. The second wave began in 2015~2016 and is expected to yield results in 2019~2020. The second wave should mature in 2025, at which time a third wave of IoT growth will begin. Advantech foresees that companies with the capability to provide hardware and software integration services will be the major beneficiaries during the second wave of IoT growth. In the future, Advantech will strengthen its role as an accelerator of the intelligent planet, facilitating system integrators' activities in each vertical market, providing differentiated customer service, and forming cross-sector alliance and vertical market ecosystems.

Advantech's Key Strategies to Achieve Our 2020 Vision

- **Develop the WISE-PaaS platform to form a sharing platform.**

In 2015, Advantech's WISE-PaaS was focused on internal software consolidation and architecture development. In 2016, WISE-PaaS successfully launched Edge Intelligence Server

(EIS) and Solution Ready Platform (SRP), and penetrated into several customer IoT projects in different vertical markets. In 2017, Advantech will focus on cloud services for the WISE-PaaS platform to provide a reliable and improved IoT cloud computing platform.

- **Make cross-sector alliances to form a vertical market IoT ecosystem.**

IoT is an expansion opportunity to Advantech's current specialty in embedded systems and industrial PCs. However, the complexities of the IoT system and vertical markets will drive overall market diversity. Therefore, Advantech intends to form different alliances in focused areas, including "M2.COM" in the Wireless IoT Sensor Nodes Standard, and Embedded Linux & Android Alliance (ELAA) in the embedded OS area, to provide more comprehensive services to our system integrator partners.

- **Invest, incubate, and cooperate to accelerate IoT development and penetration.**

In our 2020 vision, Advantech also identified external cooperation and investment as another growing arm in the future to fulfill the natural complexity of the IoT market and strengthen our portfolio and service offerings. In January 2016, Advantech fully consolidated B+B SmartWorx into our operations. In January 2017, Advantech announced investment in Kostec, a specialized, Korea-based medical-monitor company. Both investments were in line with Advantech's long term strategy in technology centric and vertical development. Also, Advantech initiated more interactions and sponsorship with industrial partners and academic institutes. In addition to talent recruitment and business engagement, Advantech intends to facilitate the development of Taiwan's IoT supply chain.

2017 Outlook

Advantech reported record high revenues and net income in 2016. The 10.5% revenue growth was consistent overall with Advantech's past 10 year CAGR growth. More importantly, Advantech intends to seek sustainable top-line growth in the long run to optimize investor value.

Looking forward in 2017, Advantech expects to achieve its profitable revenue growth target on the back of increasing penetration of IoT adoption, our leadership in intelligent systems, and our differentiated value-added services, which should reduce the uncertainty from macro-economic impacts.

Strengthening Corporate Governance and Business Leadership

Advantech has marketed itself as an industrial brand since the beginning and now Advantech has operations in 23 countries around the world. In 2016, Advantech was recognized as a Top 6 Taiwan International Brand, and the only B2B company among the Top 10 Taiwan International Brands. To enhance corporate governance and comply with international trends, Advantech will transform its board organization from supervisory systems to independent directors systems starting from 2017.

Our goal is the pursuit of excellence and sustainable operation. Advantech has established its altruistic spirit at the core of its business culture, along with the pursuit of the best and balanced interests of society, shareholders, customers, and employees.

Advantech Co., Ltd.

Chairman K.C. Liu

President Chaney Ho

Chief Financial officer Rorie Kang

Supervisor's Review Report

The supervisors have reviewed the 2016 annual business reports, profit distribution proposals and individual financial statements and consolidated financial statements prepared and presented by the Company's Board of Directors, and the independent auditor's report issued by CPA Meng Chieh Chiu and CAP Chin Hsiang Chen of Deloitte & Touche with an independent auditor's report issued.

The supervisor's report is hereby issued in accordance with Article 219 of the Company Law after reviewing the annual business reports, financial statements, and profit distribution proposals without any nonconformity identified.

Sincerely yours,

The 2017 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: AIDC Investment Corp.
Representative: Gary Tseng

March 06, 2017

Supervisor's Review Report

The supervisors have reviewed the 2016 annual business reports, profit distribution proposals and individual financial statements and consolidated financial statements prepared and presented by the Company's Board of Directors, and the independent auditor's report issued by CPA Meng Chieh Chiu and CAP Chin Hsiang Chen of Deloitte & Touche with an independent auditor's report issued.

The supervisor's report is hereby issued in accordance with Article 219 of the Company Law after reviewing the annual business reports, financial statements, and profit distribution proposals without any nonconformity identified.

Sincerely yours,

The 2017 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: Thomas Chen

March 06, 2017

Supervisor's Review Report

The supervisors have reviewed the 2016 annual business reports, profit distribution proposals and individual financial statements and consolidated financial statements prepared and presented by the Company's Board of Directors, and the independent auditor's report issued by CPA Meng Chieh Chiu and CAP Chin Hsiang Chen of Deloitte & Touche with an independent auditor's report issued.

The supervisor's report is hereby issued in accordance with Article 219 of the Company Law after reviewing the annual business reports, financial statements, and profit distribution proposals without any nonconformity identified.

Sincerely yours,

The 2017 General Shareholders' Meeting of Advantech Co., Ltd.

Supervisor: James Wu

March 06, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advantech Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2016 were as follows:

Business acquisitions

Due to the operation plan of 2016, the Group acquired 100% of the shares of B+B SmartWorx, Inc. (B+B) for NT\$3,296,048 thousand on January 4, 2016.

The evaluation on fair value of the assets, liabilities, and the amount of goodwill as of the date of acquisition of B+B was based on a specialists' Purchase Price Allocation Report that involved several financial assumptions and inputs. The judgment of related accounting estimates will affect the presentation of accounts on the financial statements. Since the acquisition is considered to be a significant event and was transacted during the period of the financial statements and should have a material impact on the financial statements, the accuracy of the acquisition transaction of B+B conducted by the Group was deemed to be a key audit matter.

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

1. Tested the acquisition balance sheet prepared by management in accordance with the requirements of IFRS 3 Business Combinations by:
 - a. Checking that the record matched against the fair value of the assets and liabilities as of the date of acquisition.
 - b. Recalculating the value of goodwill recognized on the acquisition balance sheet.
2. Evaluated and tested the management's judgments, through the engagement of valuation experts by:
 - a. Testing the completeness of the identification, recognition, and valuation of the potential intangible assets of B+B and the fixed assets of its subsidiaries.
 - b. Testing the valuation methodologies and assumptions used to value each identified intangible asset, fixed asset, and goodwill.

B+B obtained the specialists' Purchase Price Allocation Report in December 2016. Through the above performed procedures, B+B recognized goodwill at NT\$1,768,139 thousand and intangible assets, including client relationships, core techniques, trademarks and software, at NT\$1,294,933 thousand in total.

Impairment loss recognized on goodwill

If an asset has an indefinite useful life or there is any indication that an asset is impaired, the management should assess if the carrying amount of the assets is impaired. We have expressed our concerns on the related risks since the impairment assessment of goodwill is based on the management's significant judgment that involves assumptions of the future profitability and costs of equity and debts; the impairment of goodwill is hence recognized as a critical accounting estimate in Note 5 to the consolidated financial statements.

The consolidated balance of goodwill amounted to NT\$2,845,831 thousand as of December 31, 2016. We are mainly concerned about the addition of cash-generating units from the acquisition of B+B, from which the goodwill from the cash-generating units amounted to NT\$1,768,139 thousand. Since the actual operations condition of B+B was not to the level as was evaluated as of the date of acquisition, which might cause an impairment of goodwill, the assessment of impairment of goodwill was deemed to be a key audit matter.

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

When evaluating the impairment assessment, we tested management's assumptions and inputs used for testing the impairment for goodwill, including cash flow projections and discount rates.

Other Matter

We have also audited the parent company only financial statements of Advantech Co., Ltd as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Meng-Chieh Chiu and Chin-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,637,577	12	\$ 4,358,259	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	113,028	-	176,389	1
Available-for-sale financial assets - current (Notes 4, 8 and 30)	2,956,586	8	1,755,843	5
Debt investments with no active market - current (Notes 4 and 9)	10,007	-	3,171	-
Notes receivable (Notes 4, 10 and 31)	965,081	3	970,722	3
Trade receivables (Notes 4 and 10)	6,384,834	17	5,428,574	16
Trade receivables from related parties (Note 31)	13,957	-	26,775	-
Other receivables	13,775	-	40,811	-
Inventories (Notes 4 and 11)	5,597,236	15	4,868,860	14
Other current assets (Note 17)	489,630	1	456,342	1
Total current assets	21,181,711	56	18,085,746	53
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 30)	1,712,578	4	1,747,598	5
Investments accounted for using the equity method (Notes 4 and 13)	598,454	2	477,984	2
Property, plant and equipment (Notes 4 and 14)	10,089,836	26	9,576,879	28
Goodwill (Notes 4, 5 and 15)	2,845,831	7	1,139,559	3
Other intangible assets (Notes 4, 5 and 16)	1,317,440	3	227,686	1
Deferred tax assets (Notes 4 and 23)	369,156	1	217,989	1
Prepayments for business facilities	47,578	-	65,753	-
Prepayments for investments (Note 26)	-	-	2,279,881	7
Long-term prepayments for leases (Note 17)	325,224	1	100,875	-
Other noncurrent assets (Note 28)	51,145	-	59,183	-
Total noncurrent assets	17,357,242	44	15,893,387	47
TOTAL	\$ 38,538,953	100	\$ 33,979,133	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 30)	\$ 483,750	1	\$ 880,625	3
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	10,231	-	6,352	-
Trade payables (Note 31)	4,983,381	13	3,226,069	9
Other payables (Notes 19 and 22)	3,902,499	10	3,380,317	10
Current tax liabilities (Notes 4 and 23)	1,229,400	3	1,057,226	3
Short-term warranty provisions (Note 4)	167,122	-	145,646	-
Other current liabilities	659,228	2	546,295	2
Total current liabilities	11,435,611	29	9,242,530	27
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	1,362,687	4	938,491	3
Net defined benefit liabilities (Notes 4 and 20)	212,360	1	183,540	1
Other noncurrent liabilities	141,398	-	160,795	-
Total noncurrent liabilities	1,716,445	5	1,282,826	4
Total liabilities	13,152,056	34	10,525,356	31
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	6,330,741	16	6,318,531	19
Advance receipts for share capital	100	-	-	-
Total share capital	6,330,841	16	6,318,531	19
Capital surplus	6,058,884	16	5,587,555	16
Retained earnings				
Legal reserve	4,473,276	12	3,962,842	12
Unappropriated earnings	8,435,785	22	7,098,449	21
Total retained earnings	12,909,061	34	11,061,291	33
Other equity				
Exchange differences on translation of foreign financial statements	(197,633)	-	271,859	1
Unrealized gains on available-for-sale financial assets	112,429	-	68,265	-
Total other equity	(85,204)	-	340,124	1
Total equity attributable to owners of the Company	25,213,582	66	23,307,501	69
NON-CONTROLLING INTERESTS	173,315	-	146,276	-
Total equity	25,386,897	66	23,453,777	69
TOTAL	\$ 38,538,953	100	\$ 33,979,133	100

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Note 31)				
Sales	\$ 40,839,800	97	\$ 36,978,961	97
Other operating revenue	<u>1,162,398</u>	<u>3</u>	<u>1,021,621</u>	<u>3</u>
Total operating revenue	42,002,198	100	38,000,582	100
OPERATING COSTS (Notes 11, 22 and 31)	<u>24,884,649</u>	<u>59</u>	<u>22,655,592</u>	<u>59</u>
GROSS PROFIT	<u>17,117,549</u>	<u>41</u>	<u>15,344,990</u>	<u>41</u>
OPERATING EXPENSES (Notes 22 and 31)				
Selling and marketing expenses	4,260,554	10	3,889,856	10
General and administrative expenses	2,576,210	6	1,982,879	5
Research and development expenses	<u>3,649,292</u>	<u>9</u>	<u>3,543,748</u>	<u>10</u>
Total operating expenses	<u>10,486,056</u>	<u>25</u>	<u>9,416,483</u>	<u>25</u>
OPERATING PROFIT	<u>6,631,493</u>	<u>16</u>	<u>5,928,507</u>	<u>16</u>
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Notes 4 and 13)	65,562	-	110,226	-
Interest income	15,989	-	40,613	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	289,633	1	(5,410)	-
Gains (losses) on disposal of investments (Note 4)	(4,873)	-	202,458	1
Foreign exchange gains (losses), net (Notes 4, 22 and 33)	(205,812)	-	(186,889)	-
Gains on financial instruments at fair value through profit or loss (Note 4)	150,982	-	83,798	-
Dividend income	132,472	-	139,725	-
Other income (Note 8)	78,855	-	121,329	-
Finance costs (Note 22)	(11,556)	-	(10,041)	-
Losses on financial instruments at fair value through profit or loss (Note 4)	(43,324)	-	(130,409)	-
Other losses	<u>(2,056)</u>	<u>-</u>	<u>(4,372)</u>	<u>-</u>
Total nonoperating income	<u>465,872</u>	<u>1</u>	<u>361,028</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	7,097,365	17	6,289,535	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>1,408,411</u>	<u>3</u>	<u>1,162,560</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>5,688,954</u>	<u>14</u>	<u>5,126,975</u>	<u>14</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 20, 21 and 23):				
Remeasurement of defined benefit plans	\$ (31,247)	-	\$ (19,303)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	1,574	-	(2,424)	-
Income tax related to items that will not be reclassified	5,312	-	3,281	-
Items that may be reclassified subsequently to profit or loss (Notes 4, 21 and 23):				
Exchange differences on translating foreign operations	(576,926)	(1)	(101,490)	-
Unrealized gains (losses) on available-for-sale financial assets	44,164	-	(495,012)	(2)
Share of the other comprehensive income of associates	(4,135)	-	2,449	-
Income tax related to items that may be reclassified subsequently to profit or loss	<u>96,161</u>	<u>-</u>	<u>13,620</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(465,097)</u>	<u>(1)</u>	<u>(598,879)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,223,857</u>	<u>12</u>	<u>\$ 4,528,096</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,666,862	13	\$ 5,104,346	13
Non-controlling interests	<u>22,092</u>	<u>-</u>	<u>22,629</u>	<u>-</u>
	<u>\$ 5,688,954</u>	<u>14</u>	<u>\$ 5,126,975</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,217,251	12	\$ 4,524,603	12
Non-controlling interests	<u>6,606</u>	<u>-</u>	<u>3,493</u>	<u>-</u>
	<u>\$ 5,223,857</u>	<u>12</u>	<u>\$ 4,528,096</u>	<u>12</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)				
Basic	<u>\$ 8.96</u>		<u>\$ 8.08</u>	
Diluted	<u>\$ 8.90</u>		<u>\$ 8.05</u>	

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Issued Capital (Notes 21 and 25)		Capital Surplus (Notes 21, 25 and 27)		Retained Earnings (Notes 21 and 27)		Other Equity (Note 21)		Non-controlling Interests (Notes 21 and 27)		Total Equity	
	Share Capital	Advance Receipts for Ordinary Shares	Total	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Interests		
BALANCE AT JANUARY 1, 2015	\$ 6,301,031	\$ 11,060	\$ 6,312,091	\$ 5,506,938	\$ 3,472,064	\$ 6,355,273	\$ 9,825,337	\$ 338,356	\$ 563,277	\$ 22,346,019	\$ 187,000	\$ 22,533,019
Appropriation of the 2014 earnings	-	-	-	-	490,778	(490,778)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(3,787,235)	(3,787,235)	-	-	(3,787,235)	-	(3,787,235)
Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the Company	17,500	(11,060)	6,440	24,438	-	-	-	-	-	30,878	-	30,878
Compensation cost recognized for employee share options	-	-	-	261,877	-	-	-	-	-	261,877	-	261,877
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	2,172	-	-	-	-	-	2,172	-	2,172
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	(11,457)	-	(62,903)	(62,903)	-	-	(74,360)	(44,217)	(118,577)
Changes in percentage of ownership interest in subsidiaries	-	-	-	3,567	-	-	-	-	-	3,567	-	3,567
Net profit for the year ended December 31, 2015	-	-	-	-	-	5,104,346	5,104,346	-	-	5,104,346	22,629	5,126,975
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(18,234)	(18,234)	(66,497)	(495,012)	(579,743)	(19,136)	(598,879)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	5,086,112	5,086,112	(66,497)	(495,012)	4,524,603	3,493	4,528,096
BALANCE AT DECEMBER 31, 2015	6,318,531	-	6,318,531	5,587,555	3,962,842	7,098,449	11,061,291	271,859	68,265	23,307,501	146,276	23,453,777
Appropriation of the 2015 earnings	-	-	-	-	510,434	(510,434)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(3,791,118)	(3,791,118)	-	-	(3,791,118)	-	(3,791,118)
Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the Company	12,210	100	12,310	104,758	-	-	-	-	-	117,068	-	117,068
Compensation cost recognized for employee share options	-	-	-	338,194	-	-	-	-	-	338,194	-	338,194
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	10,533	-	-	-	-	-	10,533	-	10,533
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	17,844	-	(3,691)	(3,691)	-	-	14,153	20,433	34,586
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,666,862	5,666,862	(469,492)	-	5,666,862	22,092	5,688,954
Other comprehensive income for year ended December 31, 2016, net of income tax	-	-	-	-	-	(24,283)	(24,283)	(469,492)	44,164	(469,611)	(15,486)	(465,097)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	5,642,579	5,642,579	(469,492)	44,164	5,217,251	6,605	5,223,857
BALANCE AT DECEMBER 31, 2016	\$ 6,330,741	\$ 100	\$ 6,330,841	\$ 6,058,684	\$ 4,473,276	\$ 8,435,785	\$ 12,909,061	\$ (197,633)	\$ 115,429	\$ 25,213,582	\$ 173,315	\$ 25,386,897

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,097,365	\$ 6,289,535
Adjustments for:		
Depreciation expenses	582,040	568,241
Amortization expenses	238,048	97,953
Amortization expenses for prepayments of lease obligations	6,606	2,577
Impairment loss recognized (reversal of impairment loss) on trade receivables	(24,032)	23,360
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(107,658)	46,611
Compensation cost of employee share options	338,194	261,877
Finance costs	11,556	10,041
Interest income	(15,989)	(40,613)
Dividend income	(132,472)	(139,725)
Share of profit of associates	(65,562)	(110,226)
Loss (gain) on disposal of property, plant and equipment	(289,633)	5,410
Loss (gain) on disposal of investments	4,873	(202,458)
Changes in operating assets and liabilities		
Financial assets held for trading	174,898	(59,944)
Notes receivable	5,641	(20,861)
Trade receivables	(738,014)	(495,148)
Trade receivables from related parties	12,807	(21,375)
Other receivables	31,402	(1,724)
Inventories	(446,618)	(87,310)
Other current assets	(8,478)	57,051
Other financial assets	-	18,650
Trade payables	1,569,097	59,874
Net defined benefit liabilities	(2,427)	(1,191)
Other payables	600,572	147,567
Short-term warranty provisions	21,476	4,292
Other current liabilities	112,933	47,395
Other noncurrent liabilities	<u>(17,857)</u>	<u>36,812</u>
Cash generated from operations	8,958,768	6,496,671
Interest received	15,989	38,076
Dividends received	132,472	139,725
Interest paid	(6,285)	(1,467)
Income tax paid	<u>(1,086,369)</u>	<u>(850,763)</u>
Net cash generated from operating activities	<u>8,014,575</u>	<u>5,822,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(6,491,968)	(9,713,717)
Proceeds from sale of available-for-sale financial assets	5,364,552	11,766,699
Acquisition of investments with no active market	(6,945)	1,805
Acquisition of investments accounted for using the equity method	(135,000)	-

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Increase in prepayments for investments	\$ -	\$ (2,279,881)
Net cash flow on the acquisition of subsidiaries	(1,369,432)	-
Dividends received from associates	88,313	81,917
Acquisition of property, plant and equipment	(1,448,423)	(1,333,481)
Proceeds from disposal of property, plant and equipment	587,468	22,867
Decrease (increase) in refundable deposits	8,038	(16,567)
Acquisition of intangible assets	(73,435)	(73,145)
Increase in prepayments for business facilities	46,599	(18,015)
Net cash used from investing activities	<u>(3,430,233)</u>	<u>(1,561,518)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(396,875)	877,545
Decrease in guarantee deposits received	(1,540)	(602)
Payment of cash dividends	(3,791,118)	(3,787,255)
Exercise of employee share options	117,068	30,878
Increase (decrease) in non-controlling interests	<u>34,586</u>	<u>(118,577)</u>
Net cash used in financing activities	<u>(4,037,879)</u>	<u>(2,998,011)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(267,145)</u>	<u>(26,461)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	279,318	1,236,252
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,358,259</u>	<u>3,122,007</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,637,577</u>	<u>\$ 4,358,259</u>

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Advantech Co., Ltd.

Opinion

We have audited the accompanying financial statements of Advantech Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the financial statements for the year ended December 31, 2016 were as follows:

Investments accounted for using the equity method

The Company and its subsidiaries acquired 100% share of B+B SmartWorx, Inc. (B+B) for NT\$3,296,048 thousand in January 4, 2016 and recognized the acquisition as investment accounted for using the equity method.

The evaluation on fair value of the assets, liabilities, and amount of goodwill as of the date of acquisition was based on the specialists' Purchase Price Allocation Report that involved several financial assumptions and inputs. The judgment of related accounting estimates will affect the presentation of accounts on the financial statements. After considering that the acquisition was a significant event and was transacted during the period of financial statements with a material impact on the financial statements, accuracy of merger transaction of B+B conducted by the Company was deemed to be a key audit matter.

Our key audit procedures performed in respect of the assets and liabilities as of the date of acquisition included the following:

1. Tested the acquisition balance sheet prepared by the management and checked the record by matching against the fair value of the assets and liabilities as of the date of acquisition.
2. Recalculated the value of goodwill recognized in the acquisition balance sheet.

Impairment assessment of investments accounted for using the equity method

The excess of cost of acquisition of investments accounted for using the equity method over the fair value of investees' identifiable assets and liability as of the dates of acquisition should be recognized as goodwill. If there is any indication that goodwill is impaired, the management should assess if the carrying amount of goodwill is impaired. We have expressed our concerns on the related risks of impairment assessment on goodwill arising from acquisition of B+B since the impairment assessment of goodwill is based on the management's significant judgment that involved assumptions of the future profitability and costs of equity and debts; the impairment of goodwill is hence recognized as a critical accounting estimate in Note 5 to the financial statements.

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

When evaluating the impairment assessment, we tested the management's assumptions and inputs used for testing the impairment for goodwill, including cash flow projections and discount rates.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Meng-Chieh Chiu and Chin-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2017

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

ADVANTECH CO., LTD.

BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,008,247	6	\$ 815,293	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 25)	34,348	-	7,391	-
Available-for-sale financial assets - current (Notes 4, 8 and 25)	700,269	2	-	-
Notes receivable (Notes 4, 9 and 26)	67,223	-	55,480	-
Trade receivables (Notes 4 and 9)	1,543,604	5	1,135,240	4
Trade receivables from related parties (Notes 4 and 26)	3,908,448	11	3,977,999	13
Other receivables	105,929	-	113,056	-
Other receivables from related parties (Note 26)	19,002	-	15,596	-
Inventories (Notes 4 and 10)	1,935,873	6	1,673,156	5
Other current assets	38,361	-	60,318	-
Total current assets	<u>10,361,304</u>	<u>30</u>	<u>7,853,529</u>	<u>25</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 25)	1,694,801	5	1,700,814	6
Investments accounted for using the equity method (Notes 4 and 11)	15,208,839	44	13,138,225	42
Property, plant and equipment (Notes 4 and 12)	6,938,084	20	6,278,109	20
Goodwill (Notes 4 and 13)	111,599	-	111,599	-
Other intangible assets (Note 4)	78,321	-	74,049	-
Deferred tax assets (Notes 4 and 18)	136,130	1	114,710	1
Prepayments for business facilities	22,676	-	15,489	-
Prepayment for investments	-	-	1,968,044	6
Other noncurrent assets	5,661	-	10,837	-
Total noncurrent assets	<u>24,196,111</u>	<u>70</u>	<u>23,411,876</u>	<u>75</u>
TOTAL	<u>\$ 34,557,415</u>	<u>100</u>	<u>\$ 31,265,405</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 25)	\$ 8,845	-	\$ 6,352	-
Trade payables	1,550,969	4	899,480	3
Trade payables to related parties (Note 26)	2,610,642	8	2,687,130	9
Other payables (Notes 14 and 17)	2,699,374	8	2,255,915	7
Current tax liabilities (Notes 4 and 18)	1,036,650	3	853,769	3
Short-term warranty provision (Note 4)	49,155	-	41,410	-
Other current liabilities	153,992	-	72,312	-
Total current liabilities	<u>8,109,627</u>	<u>23</u>	<u>6,816,368</u>	<u>22</u>
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	988,099	3	927,732	3
Net defined benefit liabilities (Notes 4, 15 and 17)	211,170	1	182,172	-
Other noncurrent liabilities	34,937	-	31,632	-
Total noncurrent liabilities	<u>1,234,206</u>	<u>4</u>	<u>1,141,536</u>	<u>3</u>
Total liabilities	<u>9,343,833</u>	<u>27</u>	<u>7,957,904</u>	<u>25</u>
EQUITY				
Share capital				
Ordinary shares	6,330,741	18	6,318,531	20
Advance receipts for share capital	100	-	-	-
Total share capital	<u>6,330,841</u>	<u>18</u>	<u>6,318,531</u>	<u>20</u>
Capital surplus	6,058,884	18	5,587,555	18
Retained earnings				
Legal reserve	4,473,276	13	3,962,842	13
Unappropriated earnings	8,435,785	24	7,098,449	23
Total retained earnings	<u>12,909,061</u>	<u>37</u>	<u>11,061,291</u>	<u>36</u>
Other equity				
Exchange differences on translating foreign operations	(197,633)	-	271,859	1
Unrealized gains (losses) on available-for-sale financial assets	112,429	-	68,265	-
Total other equity	<u>(85,204)</u>	<u>-</u>	<u>340,124</u>	<u>1</u>
Total equity	<u>25,213,582</u>	<u>73</u>	<u>23,307,501</u>	<u>75</u>
TOTAL	<u>\$ 34,557,415</u>	<u>100</u>	<u>\$ 31,265,405</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)				
Sales	\$ 30,173,747	99	\$ 28,673,906	99
Other operating revenue	<u>327,352</u>	<u>1</u>	<u>321,746</u>	<u>1</u>
Total operating revenue	30,501,099	100	28,995,652	100
OPERATING COSTS (Notes 10, 17 and 26)	<u>21,604,247</u>	<u>70</u>	<u>20,758,574</u>	<u>72</u>
GROSS PROFIT	8,896,852	30	8,237,078	28
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(264,679)	(1)	(330,254)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>330,254</u>	<u>1</u>	<u>240,811</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>8,962,427</u>	<u>30</u>	<u>8,147,635</u>	<u>28</u>
OPERATING EXPENSES (Notes 17 and 26)				
Selling and marketing expenses	659,619	2	704,299	3
General and administrative expenses	884,172	3	693,290	2
Research and development expenses	<u>2,641,219</u>	<u>9</u>	<u>2,568,723</u>	<u>9</u>
Total operating expenses	<u>4,185,010</u>	<u>14</u>	<u>3,966,312</u>	<u>14</u>
OPERATING PROFIT	<u>4,777,417</u>	<u>16</u>	<u>4,181,323</u>	<u>14</u>
NONOPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,581,818	5	1,344,991	5
Interest income (Note 4)	539	-	1,665	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	146,954	1	(161)	-
Gains on disposal of investments (Notes 4 and 16)	1,431	-	198,848	1
Foreign exchange losses, net (Notes 4, 17 and 28)	(140,689)	-	(88,859)	-
Gains on financial instruments at fair value through profit or loss (Note 4)	121,348	-	83,798	-
Dividend income (Note 4)	98,800	-	105,445	-
Other income (Notes 8 and 26)	101,777	-	112,567	-
Finance costs (Note 17)	(4,163)	-	-	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Losses on financial instruments at fair value through profit or loss (Note 4)	\$ (41,381)	-	\$ (67,063)	-
Other losses	<u>(155)</u>	<u>-</u>	<u>(53)</u>	<u>-</u>
Total nonoperating income	<u>1,866,279</u>	<u>6</u>	<u>1,691,178</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	6,643,696	22	5,872,501	20
INCOME TAX EXPENSE (Notes 4 and 18)	<u>976,834</u>	<u>3</u>	<u>768,155</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>5,666,862</u>	<u>19</u>	<u>5,104,346</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	(31,039)	-	(18,736)	-
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Note 11)	1,479	-	(2,683)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 18)	<u>5,277</u>	<u>-</u>	<u>3,185</u>	<u>-</u>
	<u>(24,283)</u>	<u>-</u>	<u>(18,234)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 16)	(561,518)	(2)	(82,566)	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 16)	(5,765)	-	(557,594)	(2)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4, 11 and 16)	45,794	-	65,031	-
Income tax relating to item that may be reclassified subsequently to profit or loss (Notes 4, 16 and 18)	<u>96,161</u>	<u>-</u>	<u>13,620</u>	<u>-</u>
	<u>(425,328)</u>	<u>(2)</u>	<u>(561,509)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(449,611)</u>	<u>(2)</u>	<u>(579,743)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,217,251</u>	<u>17</u>	<u>\$ 4,524,603</u>	<u>16</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$8.96</u>		<u>\$8.08</u>	
Diluted	<u>\$8.90</u>		<u>\$8.05</u>	

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

ADVANTECH CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Issued Capital (Notes 16 and 20)		Capital Surplus (Notes 4, 16 and 20)	Retained Earnings (Notes 4, 16 and 17)		Other Equity (Notes 4 and 16)		Total Equity
	Share Capital	Advance Receipts for Share Capital		Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2015	\$ 6,301,031	\$ 11,060	\$ 5,306,958	\$ 3,472,064	\$ 6,553,273	\$ 9,825,337	\$ 338,356	\$ 22,346,019
Appropriation of the 2014 earnings	-	-	-	490,778	(490,778)	-	-	-
Legal reserve	-	-	-	-	(3,787,255)	(3,787,255)	-	(3,787,255)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-
Issue of ordinary shares under employee share options	17,500	(11,060)	24,438	-	-	-	-	30,878
Compensation cost recognized for employee share options	-	-	261,877	-	-	-	-	261,877
Change in capital surplus from investments in associates accounted for using equity method	-	-	2,172	-	-	-	-	2,172
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	(11,457)	-	(62,903)	(62,903)	-	(74,360)
Changes in percentage of ownership interest in subsidiaries	-	-	3,567	-	-	-	-	3,567
Net profit for the year ended December 31, 2015	-	-	-	-	5,104,346	5,104,346	-	5,104,346
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	(18,234)	(18,234)	(66,497)	(84,721)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	5,086,112	5,086,112	(66,497)	4,919,615
BALANCE AT DECEMBER 31, 2015	6,318,531	-	5,587,555	3,962,842	7,098,449	11,061,291	271,859	23,307,501
Appropriation of the 2015 earnings	-	-	-	510,434	(510,434)	-	-	-
Legal reserve	-	-	-	-	(3,791,118)	(3,791,118)	-	(3,791,118)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-
Issue of ordinary shares under employee share options	12,210	100	104,758	-	-	-	-	117,068
Compensation cost recognized for employee share options	-	-	338,194	-	-	-	-	338,194
Change in capital surplus from investments in associates accounted for using equity method	-	-	10,533	-	-	-	-	10,533
Difference between considerations and carrying amounts of subsidiaries acquired or disposed of	-	-	17,844	-	(3,691)	(3,691)	-	14,153
Net profit for the year ended December 31, 2016	-	-	-	-	5,666,862	5,666,862	-	5,666,862
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(24,283)	(24,283)	(469,492)	(493,775)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	5,642,579	5,642,579	(469,492)	5,173,087
BALANCE AT DECEMBER 31, 2016	6,330,741	100	6,058,884	4,473,276	8,435,785	12,909,061	(197,633)	25,213,582

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

(With Deloitte & Touche audit report dated March 6, 2017)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,643,696	\$ 5,872,501
Adjustments for:		
Depreciation expenses	239,135	242,916
Amortization expenses	78,294	74,874
Impairment loss recognized (reversal of impairment loss) of trade receivables	96	(2,203)
Net gain on financial assets or liabilities at fair value through profit or loss	(79,967)	(16,735)
Finance costs	4,163	-
Interest income	(539)	(1,665)
Dividend income	(98,800)	(105,445)
Compensation cost of employee share options	338,194	261,877
Share of profit of subsidiaries and associates accounted for using the equity method	(1,581,818)	(1,344,991)
Loss (gain) on disposal of property, plant and equipment	(146,954)	161
Gain on disposal of investments	(1,431)	(198,848)
Realized loss (gain) on the transactions with subsidiaries and associates	(65,575)	89,443
Changes in operating assets and liabilities		
Financial assets held for trading	55,503	21,877
Notes receivable	(11,743)	(10,161)
Trade receivables	(408,460)	(139,295)
Trade receivables to related parties	69,551	36,412
Other receivables	7,127	(26,992)
Other receivables to related parties	(3,406)	45
Inventories	(262,717)	(268,954)
Other current assets	21,957	(8,670)
Other financial assets	-	18,650
Trade payables	651,489	121,548
Trade payables to related parties	(76,488)	253,194
Other payables	357,649	185,158
Short-term warranty provision	7,745	5,291
Net defined benefit liabilities	(2,041)	(813)
Other current liabilities	81,680	11,088
Other noncurrent liabilities	3,305	(1,975)
Cash generated from operations	5,819,645	5,068,288
Interest received	539	1,665
Dividend received	98,800	105,445
Interest paid	(4,163)	-
Income tax paid	(653,568)	(542,066)
Net cash generated from operating activities	<u>5,261,253</u>	<u>4,633,332</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(4,128,000)	(3,710,080)
Proceeds from sale of available-for-sale financial assets	3,429,410	5,754,213
Acquisition of investments accounted for using equity method	(293,281)	(688,577)
Proceeds from disposal of investments accounted for using the equity method	336,958	-
Prepayment for investments	-	(1,968,044)
Proceeds of the capital reduction of investments accounted for using the equity method	232,330	42,927
Payments for property, plant and equipment	(930,598)	(1,181,375)
Proceeds from disposal of property, plant and equipment	239,507	294
Decrease in refundable deposits	5,176	187
Payments for intangible assets	(76,875)	(62,714)
Proceeds from disposal of intangible assets	58	31
Decrease in prepayments for equipment	11,809	14,609
Dividends received from subsidiaries and associates	<u>779,257</u>	<u>687,589</u>
Net cash used in investing activities	<u>(394,249)</u>	<u>(1,110,940)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	(119)
Cash dividends paid	(3,791,118)	(3,787,255)
Exercise of employee share options	<u>117,068</u>	<u>30,878</u>
Net cash used in financing activities	<u>(3,674,050)</u>	<u>(3,756,496)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,192,954	(234,104)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>815,293</u>	<u>1,049,397</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,008,247</u>	<u>\$ 815,293</u>

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

(With Deloitte & Touche audit report dated March 6, 2017)

(Concluded)

Advantech Co., Ltd.**2016 Profit Distribution Table**

Item	Total
Unappropriated retained earnings - beginning	2,796,896,578
Less: Long-term equity investments	(3,691,230)
Less: Actuarial loss recognized in retained earnings	(24,282,918)
Add: Net income	5,666,862,329
Less: 10% legal reserve appropriated	(566,686,233)
Less: Special reserve appropriated	(85,203,650)
Current earnings available for distribution	7,783,894,876
Distributions:	
Common stock cash dividend (Dividends Per Share \$6.3)	(3,988,366,830)
Share dividends (Dividends Per Share \$1)	(633,074,100)
Unappropriated retained earnings - ending	3,162,453,946

Chairman: K.C. Liu

President: Chaney Ho

Chief Financial officer: Rorie Kang

Advantech Co., Ltd.
Corporate Charter (Articles of Incorporation) Article Amendments Table

No.	After amendment	Before amendment	Remark
Article 13	<p>The company has seven ~ nine directors. Nominated for a term of three years and they are elected from the capable candidates in the shareholders' meeting; also, they can be re-elected. There must be at least two independent directors (not less than one fifth of the total number of directors) out of the total 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.</p>	<p>The company has seven ~ nine directors and <u>three supervisors</u> who are nominated for a term of three years and elected from the capable candidates in the shareholders' meeting; also, they can be re-elected. There must be at least two independent directors (not less than one fifth of the total number of directors) out of the number of directors referred to above. The independent directors are to be elected from the candidates in the shareholders' meeting. The professional qualifications of the independent directors, shareholdings, limitation of part-time job, the nomination and appointment method, and other matters to be complied with must be processed according to the relevant provisions of the competent authorities.</p>	<p>Sep up the Audit Committee.</p>
Article 13.2	<p>The exercise of power by the <u>audit committee</u> is as follows: 1. Reviewing the operations and financial condition of the Company. 2. Auditing the accounting books and documents of the Company. 3. Other responsibilities assigned in accordance with the law and regulations.</p>	<p>The exercise of power by the <u>supervisors</u> is as follows: 1. Reviewing the operations and financial condition of the Company. 2. Auditing the accounting books and documents of the Company. 3. Other responsibilities assigned in accordance with the law and regulations.</p>	<p>Sep up the Audit Committee.</p>

No.	After amendment	Before amendment	Remark
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.	The total shares of the Company held by all directors and supervisors are 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.	Sep up the Audit Committee.
Article 13.4	The Company may purchase liability insurance for directors throughout the tenure based on their scope of responsibility.	The Company may purchase liability insurance for directors and supervisors throughout the tenure based on their scope of responsibility.	Sep up the Audit Committee.
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.	The board of directors is authorized to deliberate and determine the remuneration of all directors and supervisors according to their participation in and contribution to the Company’s business operation and by referring to the remuneration standard of the domestic industry.	Sep up the Audit Committee.
Article 13.6	The Company has an Audit Committee setup in accordance with Article 14.4 of the Securities Exchange Act, which is organized by all the independent directors. The exercise of power by the Audit Committee and its members and the related matters are to be processed in accordance with the provisions of the competent authorities.	The Company has an Audit Committee setup in accordance with Article 14.4 of the Securities Exchange Act, which is organized by all the independent directors. The exercise of power by the Audit Committee and its members and the related matters are to be processed in accordance with the provisions of the competent authorities. Supervisors will be discharged on the date the Audit Committee established, which will be in effect on the expiry date of the term of office in 2017.	Sep up the Audit Committee.
Article 14.1	The Company may at any time in case of emergency convene a board meeting and with the directors	The Company may at any time in case of emergency convene a board meeting and with the directors and	Sep up the Audit Committee.

No.	After amendment	Before amendment	Remark
Article 18	<p>informed in writing or by E-mail or fax.</p> <p>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.</p>	<p>supervisors-informed in writing or by E-mail or fax.</p> <p>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 the audit of the supervisors 30 days prior to the shareholders' meeting and for acknowledgement in the shareholders' meeting.</p>	Sep up the Audit Committee.
Article 22	<p>The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).</p> <p>The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.</p> <p>The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.</p> <p>The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.</p> <p>The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.</p> <p>The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.</p> <p>The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.</p> <p>The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.</p> <p>The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.</p> <p>The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.</p> <p>The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.</p>	<p>The Corporate Charter (Article of Incorporation) was established on September 25, 1981 (the first time ~ Twentieth are omitted).</p> <p>The 21st amendment of the Corporate Charter (Article of Incorporation) was made on May 2, 2003.</p> <p>The 22nd amendment of the Corporate Charter (Article of Incorporation) was made on May 27, 2003.</p> <p>The 23rd amendment of the Corporate Charter (Article of Incorporation) was made on May 24, 2005.</p> <p>The 24th amendment of the Corporate Charter (Article of Incorporation) was made on November 18, 2005.</p> <p>The 25th amendment of the Corporate Charter (Article of Incorporation) was made on June 16, 2006.</p> <p>The 26th amendment of the Corporate Charter (Article of Incorporation) was made on June 15, 2007.</p> <p>The 27th amendment of the Corporate Charter (Article of Incorporation) was made on June 12, 2008.</p> <p>The 28th amendment of the Corporate Charter (Article of Incorporation) was made on May 15, 2009.</p> <p>The 29th amendment of the Corporate Charter (Article of Incorporation) was made on May 18, 2010.</p> <p>The 30th amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2011.</p>	Update the date of the amendment

No.	After amendment	Before amendment	Remark
	<p>The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012.</p> <p>The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.</p> <p>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</p> <p>The 34rd amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.</p> <p>The 35rd amendment of the Corporate Charter (Article of Incorporation) was made on May 26, 2017.</p>	<p>The 31st amendment of the Corporate Charter (Article of Incorporation) was made on June 13, 2012.</p> <p>The 32nd amendment of the Corporate Charter (Article of Incorporation) was made on June 18, 2014.</p> <p>The 33rd amendment of the Corporate Charter (Article of Incorporation) was made on May 28, 2015.</p> <p>The 34rd amendment of the Corporate Charter (Article of Incorporation) was made on May 25, 2016.</p>	

Advantech Co., Ltd.

Procedures for the Acquisition or Disposal of Assets

No.	After amendment	Before amendment	Remark
Article 3	<p>The term “assets” as used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</u> 6. Derivatives. 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law 8. Other major assets. 	<p>The term “assets” as used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Derivatives.</u> 6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law 7. Other major assets. 	According to the governing law and regulations
Article 6	<p><u>After these Procedures have been approved by more than half of all Audit Committee members and the Board of Directors, they shall be submitted to the shareholders' meeting for approval; the same applies when these</u></p>	<p><u>These Procedures are established in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the FSC. After these Procedures have been approved by the Board</u></p>	According to the actual practice

	<p><u>Procedures are amended. When these Procedures are reported to the Board of Directors for discussion, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. When these Procedures are adopted or amended, they shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.</u></p> <p><u>If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, these Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting. The terms "all Audit Committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</u></p>	<p><u>of Directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.</u></p> <p><u>When these Procedures are submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</u></p>	
<p>Article 8</p>	<p><u>The Company's acquisition or disposal of assets shall be approved by the Board of Directors under the Company's procedures or other laws or regulations. If a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>Audit Committee.</u></u></p>	<p>The Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor.</p> <p>When a transaction involving the acquisition or disposal</p>	<p>According to the actual practice</p>

<p>Article 9</p>	<p><u>When a transaction involving the acquisition or disposal of assets is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>Major assets or derivatives transactions shall be approved by more than half of all Audit Committee members and reported to the Board of Directors for resolution.</u></p> <p><u>If approval of more than half of all Audit Committee members is not obtained, these procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting. The terms "all Audit Committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</u></p> <p><u>In acquiring or disposing of real property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an</u></p>	<p>of assets is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	
		<p><u>Procedures for Acquisition or Disposal of Real Property or Equipment</u></p> <p>1. <u>Evaluation and Operating Procedures</u></p> <p><u>The transaction processes of real property and equipment shall be handled in accordance with the operating procedures for fixed asset circulation in the Company's internal control system.</u></p>	<p>According to the governing law and regulations</p>

<p><u>appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</u></p> <p><u>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</u></p> <p><u>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</u></p> <p><u>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</u></p> <p><u>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</u></p> <p><u>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</u></p> <p><u>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser</u></p>	<p><u>2. Procedures for Determining Trading Terms and Conditions and Authorization Limit</u></p> <p><u>(1) When acquiring or disposing of real property, the Company shall determine the trading terms and conditions and trading prices based on the current value, assessed value, and real trading price of nearby real property and have the analysis report submitted to the Board of Directors. If the amount of the transaction is less than NT\$300 million, this shall be approved by the Chairman of the Board and reported to the latest board meeting afterward; if the amount of the transaction is more than NT\$300 million, this shall be approved by the Board of Directors.</u></p> <p><u>(2) The acquisition or disposal of equipment shall be performed through enquiry, comparison, bargaining, or bidding. If the amount of the transaction is less than NT\$300 million (inclusive), this shall be approved pursuant to the authorization limit; if the amount of the transaction is more than NT\$300 million, this shall be approved by the President and the Board of Directors.</u></p> <p><u>3. Units Responsible for Implementation</u></p> <p><u>After the acquisition or disposal of real property or equipment is approved based on the authorization limit stipulated in the preceding paragraph, the department using such real property or equipment and Administration Department is responsible for implementation.</u></p> <p><u>4. Appraisal Report on Real Property or Other Fixed Assets</u></p> <p><u>In acquiring or disposing of real property or equipment where the transaction amount reaches</u></p>

and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

Article 11	Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of	<p><u>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</u></p> <p><u>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</u></p> <p><u>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</u></p> <p><u>(5) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</u></p>	
	<p><u>Procedures for Acquisition or Disposal of Memberships or Intangible Assets</u></p> <p><u>1. Evaluation and Operating Procedures</u> <u>The transaction processes of memberships or intangible assets shall be handled in accordance with the operating procedures for fixed asset circulation in the Company's internal control system.</u></p> <p><u>2. Procedures for Determining Trading Terms and</u></p>		According to the governing law and regulations

occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20.

Conditions and Authorization Limit

(1) The trading terms and conditions and prices of acquisition or disposal of memberships shall be determined by the Company based on the market fair price, with the analysis report submitted to the President for approval. The amount of each transaction less than 1% of the Company's paid-in capital or NT\$300 million shall be reported to the Board of Directors for approval and the soonest board meeting for future reference; the amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.

(2) The trading terms and conditions and prices of acquisition or disposal of intangible assets shall be determined by the Company based on the appraisal report or market fair price, with the analysis report submitted to the President for approval. The amount of each transaction less than 10% of the Company's paid-in capital or NT\$300 million shall be reported to the Chairman of the Board for approval and the soonest board meeting for future reference; the amount of each transaction exceeding NT\$300 million shall be reported to the Board of Directors for approval.

3. Units Responsible for Implementation

After the acquisition or disposal of memberships or intangible assets is approved based on the authorization limit stipulated in the preceding paragraph, the department using such memberships or intangible assets and Finance Department or Administration Department are responsible for implementation.

		<p><u>4. Appraisal Report on Memberships or Intangible Assets</u> <u>Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$30 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p>	
<p>Article 14</p>	<p>When the Company intends to acquire or dispose of real property from or to a related party, <u>regardless of the amount, or when it intends to acquire or dispose of assets other than real property from or to a related party at the amount reaching 20% of the Company's paid-in capital, 10% of its total assets or NT\$300 million, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members and the Board of Directors:</u></p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the 	<p>When the Company intends to acquire or dispose of real property from or to a related party and when it intends to acquire or dispose of assets other than real property from or to a related party, regardless of the amount and except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 	<p>According to the governing law and regulations</p>

	<p>acquisition or disposal of assets.</p> <p>2. The reason for choosing the related party as a trading counterparty.</p> <p>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</p> <p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <u>Article 30</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been announced in accordance with these Procedures</p>	<p>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</p> <p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <u>Paragraph 2 of Article 27</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use</p>
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	<p>need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its parent company or subsidiaries, the Company's Board of Directors may pursuant to Article 9 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p><u>If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, these procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting. The terms "all Audit Committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</u></p>	<p>equipment between the Company and its subsidiaries, the Company's Board of Directors may pursuant to Paragraph 2 of Article 9 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>Article 17</p> <p>Where the Company acquires real property from a</p> <p>Where the Company acquires real property from a related</p> <p>According to the</p>
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	<p>related party and the results of appraisals conducted in accordance with Article 15 and Article 16 are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the company's equity stake in the other company. 2. <u>The Audit Committee shall comply with Article 218 of the Company Act.</u> 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in</p>	<p>party and the results of appraisals conducted in accordance with Article 15 and Article 16 are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Supervisors shall comply with Article 218 of the Company Act. 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market</p>	actual practice
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	<p>market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	
<p>Article 21</p>	<p>The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 19 and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of Article 20 shall be recorded in detail in the log book.</p> <p>A public company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the <u>Audit Committee</u> shall be notified in writing.</p>	<p>The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 19 and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of Article 20 shall be recorded in detail in the log book.</p> <p>A public company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.</p>	<p>According to the actual practice</p>

Article 22	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. <u>However, an opinion rendered by an expert on the reasonableness of a merger with subsidiaries whose 100% of shares issued or total capital are directly or indirectly held by the Company or a merger between subsidiaries whose 100% of shares issued or total capital are directly or indirectly held by the Company may be exempted.</u></p>	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.</p>	According to the governing law and regulations
Article 30	<p>Procedures for Public Disclosure of Information</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, <u>regardless of the amount</u>, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the company's total assets, or NTS\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under 	<p>Procedures for Public Disclosure of Information</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the company's total assets, or NTS\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription 	According to the governing law and regulations

	<p>repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets one of the following requirements:</p> <p>(1) <u>The paid-in capital is less than NT\$10 billion and the transaction amount is more than NT\$500 million.</u></p> <p>(2) <u>The paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion.</u></p> <p>5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an</p>	<p>or redemption of domestic money market funds.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</p> <p>(3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(4) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages,</p>
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<p>investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) <u>Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of corporate bonds and general financial bonds not involving no equity in the domestic primary market or securities by a securities firm due to business needs or a securities firm recommended for listed companies at the emerging stock market in accordance with the regulations of Taipei Exchange.</u></p> <p>(3) Trading of bonds under repurchase/resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows and “Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting</p>	<p>or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows and “Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting</p>
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	<p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, <u>all the items shall be again publicly announced and reported in their entirety within 2 days commencing immediately from the date of knowing of the error or omission.</u></p> <p><u>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters,</u></p>	
		<p>website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>

Article 30	<u>where they shall be retained for 5 years except where another act provides otherwise.</u>		
	<p>These Procedures were established on May 3, 1997. The 1st amendment was made on November 29, 1999. The 2nd amendment was made on May 30, 2002. The 3rd amendment was made on May 2, 2003. The 4th amendment was made on May 27, 2004. The 5th amendment was made on June 16, 2006. The 6th amendment was made on June 15, 2007. The 7th amendment was made on June 13, 2012. The 8th amendment was made on June 18, 2014. The 9th amendment was made on May 26, 2017.</p>	<p>These Procedures were established on May 3, 1997. The 1st amendment was made on November 29, 1999. The 2nd amendment was made on May 30, 2002. The 3rd amendment was made on May 2, 2003. The 4th amendment was made on May 27, 2004. The 5th amendment was made on June 16, 2006. The 6th amendment was made on June 15, 2007. The 7th amendment was made on June 13, 2012. The 8th amendment was made on June 18, 2014.</p>	Update the date of the amendment

Advantech Co., Ltd.

Procedures for Lending Funds to Other Parties

No.	After amendment	Before amendment	Remark
Article 3	<p>Lending Counterparts</p> <p>Lending counterparts in need of short-term financing shall be limited to a subsidiary in which the Company holds 50% of the voting shares or companies with the de facto control having the need of short-term financing due to business needs.</p> <p>The phrase “short-term” mentioned above shall mean within one year or a business cycle (whichever is longer). Foreign companies, of which the Company directly or indirectly holds 100% of the voting shares, if engaged in the lending business, will be exempt from the restrictions referred to in the first paragraph of Article 4.</p>	<p>Lending Counterparts</p> <p>Companies or firms in need of short-term financing.</p> <p>Lending counterparts in need of short-term financing shall be limited to a subsidiary in which the Company holds 50% of the voting shares or companies with the de facto control having the need of short-term financing due to business needs.</p> <p>The phrase “short-term” mentioned above shall mean within one year or a business cycle (whichever is longer). Foreign companies, of which the Company directly or indirectly holds 100% of the voting shares, if engaged in the lending business, will be exempt from the restrictions referred to in the first paragraph of Article 4.</p>	<p>According to the actual practice</p>
Article 4	<p>Lending Amount and Financing Limit</p> <p>The total amount lent to others (loanable funds) shall not exceed 20% of the net value of the Company. The total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds.</p>	<p>Lending Amount and Financing Limit</p> <p>1- The total amount lent to others (loanable funds) shall not exceed 20% of the net value of the Company. The total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable funds.</p> <p>2- In the case of lending funds to companies or firms who have a business relationship with the Company, the total lending amount of an individual borrower shall not exceed 50% of the total amount of loanable</p>	<p>According to the actual practice</p>

Article 8	<p>Procedures for Fund Lending and Detailed Review</p> <p>1. Application:</p> <p>A. When applying for a loan with the Company, a borrower shall submit the application form or an official letter specifying the amount, term and purpose of the loan to the Company's Finance Department.</p> <p>B. Where a loan is given due to needs arising from business dealings, the finance unit shall evaluate whether the amount of the loan is commensurate with the amount of transactions and in compliance with these Operational Procedures.</p> <p>C. Where a borrower in need of short-term financing applies for a loan, the Company shall evaluate the necessity of financing and investigate the borrower's credit status.</p> <p>D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval.</p> <p>2. Credit Investigation and Risk Assessment</p> <p>A. For a first-time borrower, the borrower shall provide basic information and financial information to facilitate the credit investigation.</p>	<p>funds or the total amount of the business transactions between the Company and the borrower, whichever is lower, and the maximum amount stipulated in the preceding paragraph.</p> <p>Procedures for Fund Lending and Detailed Review</p> <p>1. Application:</p> <p>A. When applying for a loan with the Company, a borrower shall submit the application form or an official letter specifying the amount, term and purpose of the loan to the Company's Finance Department.</p> <p>B. Where a loan is given due to needs arising from business dealings, the finance unit shall evaluate whether the amount of the loan is commensurate with the amount of transactions and in compliance with these Operational Procedures.</p> <p>C. Where a borrower in need of short-term financing applies for a loan, the Company shall evaluate the necessity of financing and investigate the borrower's credit status.</p> <p>D. The loan, after being verified to be feasible upon analysis, shall be submitted to the Chairman of the Board and the board meeting for approval.</p> <p>2. Credit Investigation and Risk Assessment</p> <p>A. For a first-time borrower, the borrower shall provide basic information and financial information to facilitate the credit investigation.</p>	According to the actual practice
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<p>B. For a subsequent borrower, the credit investigation shall be carried out when the borrower applies for the renewal. In case of a major or urgent event, the credit investigation shall be carried out at any time depending on the actual needs.</p> <p>C. If the borrower is in good financial condition and has had the annual financial statements audited by CPAs, the investigation report made for less than a year and the auditors' report may be adopted as the reference.</p> <p>D. When carrying out the credit investigation, the Company shall make a detailed assessment of the impact of the loan on the Company's business operations, financial conditions, and shareholders' equity.</p> <p>3. Contract Signing and Identity Verification</p> <p>A. The person in charge of lending funds shall fill in the loan contract based on the approved conditions to proceed with the contract signing.</p> <p>B. After the borrower and the joint guarantor sign the loan contract, the person in charge shall perform the procedures for verifying their identities.</p> <p>4. Appraisal of Collateral Value and Setting of Rights</p> <p>When applying for a loan, a borrower, after being verified to provide collateral, shall provide a pledge on equivalent real property or securities or the promissory note, which matures on the expected date of repayment and is signed by the joint guarantor, for the Company as</p>	<p>B. For a subsequent borrower, the credit investigation shall be carried out when the borrower applies for the renewal. In case of a major or urgent event, the credit investigation shall be carried out at any time depending on the actual needs.</p> <p>C. If the borrower is in good financial condition and has had the annual financial statements audited by CPAs, the investigation report made for less than a year and the auditors' report may be adopted as the reference.</p> <p>D. When carrying out the credit investigation, the Company shall make a detailed assessment of the impact of the loan on the Company's business operations, financial conditions, and shareholders' equity.</p> <p>3. Contract Signing and Identity Verification</p> <p>A. The person in charge of lending funds shall fill in the loan contract based on the approved conditions to proceed with the contract signing.</p> <p>B. After the borrower and the joint guarantor sign the loan contract, the person in charge shall perform the procedures for verifying their identities.</p> <p>4. Appraisal of Collateral Value and Setting of Rights</p> <p>When applying for a loan, a borrower, after being verified to provide collateral, shall provide a pledge on equivalent real property or securities or the promissory note, which matures on the expected date of repayment and is signed by the joint guarantor, for the Company as</p>
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	<p>and is signed by the joint guarantor, for the Company as security. When the joint guarantor is a company or a firm, the Company shall examine whether its articles of incorporation and minutes of the board meeting permit the guarantee.</p> <p>5. Insurance Except for land and securities, fire insurance and related insurance shall be purchased for other collateral in pledge. The Company shall be specified as the beneficiary in the insurance policy. The name, quantity, place of storage, and insurance conditions and endorsements of the subject policy shall be consistent with the loan conditions approved by the Company.</p> <p>The person in charge shall notify the borrower of a renewal before the term of the insurance expires.</p> <p>6. Appropriation The loan will be appropriated after a borrower sign the contract, submit the promissory note, set the mortgage, and purchase the insurance.</p> <p>7. Account Keeping When the Company completes the procedures for lending each fund, Finance Department shall make an entry for collateral or credit guarantee obtained.</p> <p>8. The Company shall establish a log book for its loan</p>	<p>security. When the joint guarantor is a company or a firm, the Company shall examine whether its articles of incorporation and minutes of the board meeting permit the guarantee.</p> <p>5. Insurance Except for land and securities, fire insurance and related insurance shall be purchased for other collaterals at the amount not less than the collateral in pledge. The Company shall be specified as the beneficiary in the insurance policy. The name, quantity, place of storage, and insurance conditions and endorsements of the subject specified in the insurance policy shall be consistent with the loan conditions approved by the Company.</p> <p>The person in charge shall notify the borrower of a renewal before the term of the insurance expires.</p> <p>6. Appropriation The loan will be appropriated after a borrower sign the contract, submit the promissory note, set the mortgage, and purchase the insurance.</p> <p>7. Account Keeping When the Company completes the procedures for lending each fund, Finance Department shall make an entry for collateral or credit guarantee obtained.</p> <p>8. The Company shall establish a log book for its loan activities and record in detail the following information for future reference: the entity to which the loan is given,</p>	
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	<p>activities and record in detail the following information for future reference: the entity to which the loan is given, the amount, the date of passage by the Board of Directors, the date the loan is appropriated, and matters to be evaluated in accordance with Article 7.</p> <p>9. If, due to changes of circumstances, the party to whom the Company gives a loan no longer satisfies the criteria set forth herein, or the balance of a loan exceeds the limits, a corrective plan shall be provided to the <u>Audit Committee</u> and the proposed corrections shall be implemented within the period specified in the plan.</p>	<p>the amount, the date of passage by the Board of Directors, the date the loan is appropriated, and matters to be evaluated in accordance with Article 7.</p> <p>9. If, due to changes of circumstances, the party to whom the Company gives a loan no longer satisfies the criteria set forth herein, or the balance of a loan exceeds the limits, a corrective plan shall be provided to all supervisors and the proposed corrections shall be implemented within the period specified in the plan.</p>	
<p>Article 13</p>	<p>Implementation and Amendment</p> <p>These Operational Procedures shall be approved by the Board of Directors and then sent to the <u>Audit Committee</u> and proposed at the shareholders' meeting for approval. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the <u>Audit Committee</u> and the shareholders' meeting for discussion any amendment hereto is subject to the same procedures.</p> <p>If the Company has established independent directors, when submitting these Operational Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	<p>Implementation and Amendment</p> <p>These Operational Procedures shall be approved by the Board of Directors and then sent to all supervisors and proposed at the shareholders' meeting for approval. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the supervisors and the shareholders' meeting for discussion any amendment hereto is subject to the same procedures.</p> <p>If the Company has established independent directors, when submitting these Operational Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p>	<p>According to the actual practice</p>
<p>Article 14</p>	<p>Procedures for Managing Funds Lent to Subsidiaries:</p> <p>1. For a subsidiary in which the Company directly or</p>	<p>Procedures for Managing Funds Lent to Subsidiaries:</p> <p>For a subsidiary in which the Company directly or</p>	<p>According to the actual</p>

	<p>indirectly holds more than 50% of the voting shares and which is not a public company of the Republic of China, these Operational Procedures shall be followed. The net value shall be calculated based on the Company's net value. The Company shall submit the previous month's balance of its loaned funds to Finance Department by the 5th day of each month.</p> <p>2. Internal auditors of the Company shall perform the audit on the lending of funds of the subsidiaries based on the annual audit plan. In the case that a material violation is found, internal auditors shall continuously follow up the improvements and submit the follow-up report to the Board of Directors and the <u>Audit Committee</u>.</p>	<p>indirectly holds more than 50% of the voting shares and which is not a public company of the Republic of China, these Operational Procedures shall be followed. The net value shall be calculated based on the Company's net value. The Company shall submit the previous month's balance of its loaned funds to Finance Department by the 5th day of each month.</p> <p>Internal auditors of the Company shall perform the audit on the lending of funds of the subsidiaries based on the annual audit plan. In the case that a material violation is found, internal auditors shall continuously follow up the improvements and submit the follow-up report to the Board of Directors and all supervisors.</p>	practice
Article 15	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on May 30, 2002.</p> <p>The 2nd amendment was made on May 2, 2003.</p> <p>The 3rd amendment was made on May 15, 2009.</p> <p>The 4th amendment was made on May 18, 2010.</p> <p>The 5th amendment was made on June 13, 2013.</p> <p><u>The 6th amendment was made on May 26, 2017.</u></p>	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on May 30, 2002.</p> <p>The 2nd amendment was made on May 2, 2003.</p> <p>The 3rd amendment was made on May 15, 2009.</p> <p>The 4th amendment was made on May 18, 2010.</p> <p>The 5th amendment was made on June 13, 2013.</p>	Update the date of the amendment

Advantech Co., Ltd.

Procedures for Endorsement & Guarantee

No.	After amendment	Before amendment	Remark
Article 5.1	<p>Level of Authorization</p> <p>Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference.</p> <p>In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall</p>	<p>Level of Authorization</p> <p>Endorsements and/or guarantees made by the Company shall be conducted after receiving approval from the Chairman and the Board of Directors. A predetermined limit (5% of the Company's net value) may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming board meeting for ratification and to the shareholders' meeting for future reference.</p> <p>In case the above limits have to be exceeded to accommodate business needs, approval by a resolution of the Board of Directors shall be obtained and over half of all the directors shall jointly endorse the potential loss that may be brought about by exceeding the limits. The Board of Directors shall also revise these procedures and have them ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan</p>	According to the actual practice

No.	After amendment	Before amendment	Remark
	<p>furnish a plan containing a timetable to withdraw the excess portion.</p> <p>If, due to changes of circumstances, the party to whom the Company provides an endorsement and/or guarantee no longer satisfies the criteria set forth herein, or the amount of endorsement and/or guarantee exceeds the limits, a corrective plan shall be provided to the <u>Audit Committee</u> and the proposed corrections shall be implemented within the period specified in the plan.</p>	<p>containing a timetable to withdraw the excess portion.</p> <p>If, due to changes of circumstances, the party to whom the Company provides an endorsement and/or guarantee no longer satisfies the criteria set forth herein, or the amount of endorsement and/or guarantee exceeds the limits, a corrective plan shall be provided to all supervisors and the proposed corrections shall be implemented within the period specified in the plan.</p>	
Article 11	<p>Internal auditors of the Company shall perform the audit on the Company's endorsement and/or guarantee profile at least once per quarter and produce written auditing reports. In the case that a material violation is found, internal audit shall immediately notify the <u>Audit Committee</u> in writing.</p>	<p>Internal auditors of the Company shall perform the audit on the Company's endorsement and/or guarantee profile at least once per quarter and produce written auditing reports. In the case that a material violation is found, internal audit shall immediately notify the supervisors in writing.</p>	According to the actual practice
Article 12	<p>These Procedures shall be implemented upon approval of the Board of Directors, the <u>Audit Committee</u> and the shareholders' meeting. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the <u>Audit Committee</u> and the shareholders' meeting for discussion. Any amendment hereto is subject to the same procedures. If the Company has established independent directors, when submitting these Procedures to the Board of Directors for discussion pursuant to the preceding</p>	<p>These Procedures shall be implemented upon approval of the Board of Directors, all supervisors and the shareholders' meeting. If any director expresses objection on the record or in a written statement, the Company shall submit the objection to the supervisors and the shareholders' meeting for discussion. Any amendment hereto is subject to the same procedures. If the Company has established independent directors, when submitting these Procedures to the Board of Directors for discussion pursuant to the preceding</p>	According to the actual practice

No.	After amendment	Before amendment	Remark
Article 13	<p>paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p> <p>These Procedures were established on May 3, 1997. The 1st amendment was made on May 2, 2003. The 2nd amendment was made on June 16, 2006. The 3rd amendment was made on May 15, 2009. The 4th amendment was made on May 18, 2010. The 5th amendment was made on May 26, 2017.</p>	<p>paragraph, it shall consider the dissenting opinions from all independent directors fully and list the consenting and objecting opinions and their reasons in the meeting minutes of the Board of Directors.</p> <p>These Procedures were established on May 3, 1997. The 1st amendment was made on May 2, 2003. The 2nd amendment was made on June 16, 2006. The 3rd amendment was made on May 15, 2009. The 4th amendment was made on May 18, 2010.</p>	Update the date of the amendment

Advantech Co., Ltd.
Procedures for Financial Derivatives Transactions

No.	After amendment	Before amendment	Remark
Article 8	<p>Implementation and Amendment</p> <p>These Procedure shall be submitted to the <u>Audit Committee</u> and the shareholders' meeting for approval after the resolution of the Board of Directors; the same procedure shall apply with any amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee. Where the position of independent director has been created by the Company, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p>	<p>Implementation and Amendment</p> <p>These Procedure shall be submitted to each supervisor and the shareholders' meeting for approval after the resolution of the Board of Directors; the same procedure shall apply with any amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor. Where the position of independent director has been created by the Company, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p>	According to the actual practice
Article 9	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 18, 1998.</p> <p>The 2nd amendment was made on May 2, 2003.</p> <p>The 3rd amendment was made on May 24, 2005.</p>	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 18, 1998.</p> <p>The 2nd amendment was made on May 2, 2003.</p> <p>The 3rd amendment was made on May 24, 2005.</p>	Update the date of the amendment

	<p>The 4th amendment was made on May 18, 2010 The 5th amendment was made on June 18, 2014. <u>The 6th amendment was made on May 26, 2017.</u></p>	<p>The 4th amendment was made on May 18, 2010 The 5th amendment was made on June 18, 2014.</p>	
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Advantech Co., Ltd.

Rules and Procedure for Shareholders' Meetings

No.	After amendment	Before amendment	Remark
Article 14.1	<p>The election of directors, if any, in the shareholders' meeting should be handled in accordance with the relevant norms of the Company and the election result should be announced immediately in the meeting, including the name of the elected directors and supervisors and the respective number of voting rights.</p> <p>The ballots casted in the election referred to above shall be sealed and signed by the ballot inspectors for safekeeping for at least one year; however, they should be reserved until the end of the legal proceeding that is filed by the shareholders in accordance with Article 189 of the Company Law.</p>	<p>The election of directors and supervisors, if any, in the shareholders' meeting should be handled in accordance with the relevant norms of the Company and the election result should be announced immediately in the meeting, including the name of the elected directors and supervisors and the respective number of voting rights.</p> <p>The ballots casted in the election referred to above shall be sealed and signed by the ballot inspectors for safekeeping for at least one year; however, they should be reserved until the end of the legal proceeding that is filed by the shareholders in accordance with Article 189 of the Company Law.</p>	According to the actual practice
Article 19	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 24, 1999.</p> <p>The 2nd amendment was made on May 30, 2002.</p> <p>The 3rd amendment was made on June 16, 2006.</p> <p>The 4th amendment was made on May 18, 2010</p> <p>The 5th amendment was made on June 13, 2012.</p> <p>The 6th amendment was made on May 26, 2017.</p>	<p>These Procedures were established on May 3, 1997.</p> <p>The 1st amendment was made on April 24, 1999.</p> <p>The 2nd amendment was made on May 30, 2002.</p> <p>The 3rd amendment was made on June 16, 2006.</p> <p>The 4th amendment was made on May 18, 2010</p> <p>The 5th amendment was made on June 13, 2012.</p>	Update the date of the amendment