

Advantech Co., Ltd.

**Financial Statements for the
Six Months Ended June 30, 2011 and 2010 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of June 30, 2011 and 2010, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as stated in the following paragraph, we conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of June 30, 2011 and 2010, of these investments, some had carrying values of NT\$4,250,039 thousand and NT\$3,845,114 thousand, respectively. As of June 30, 2011 and 2010, the credit balances on the carrying values of the equity-method investments were NT\$5,457 thousand and NT\$8,845 thousand, respectively. These investment amounts and the net investment gain of NT\$278,712 thousand and gain of NT\$188,432 thousand in the six months ended June 30, 2011 and 2010, respectively, as well as additional disclosures in Note 21 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unaudited financial statements for the same reporting periods as those of the Company.

In our opinion, except for any adjustments that might have been determined to be necessary had the financial statements of the equity-method investees mentioned in the preceding paragraph been audited, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the six-months then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries as of and for the year ended June 30, 2011 and 2010 and have issued a qualified accountants' review report thereon dated August 5, 2011 (not presented herewith) with an explanatory paragraph.

August 5, 2011

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and financial statements shall prevail.

ADVANTECH CO., LTD.

BALANCE SHEETS

JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 916,708	5	\$ 1,465,874	9	Short-term loans (Note 10)	\$ 86,175	-	\$ -	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 20)	28,042	-	46,091	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 20)	50,128	-	28,882	-
Notes receivable (Note 2)	64,394	-	36,886	-	Accounts payable	723,214	3	687,947	4
Accounts receivable, net of allowance for doubtful accounts of \$18,677 thousand in 2011 and \$16,197 thousand in 2010 (Note 2)	892,986	5	895,170	5	Accounts payable to related parties (Note 18)	1,247,170	6	1,267,951	7
Accounts receivable - related parties, net (Notes 2 and 18)	2,446,920	12	2,055,218	12	Income tax payable (Notes 2 and 15)	341,863	2	254,648	1
Other receivable	71,834	-	57,458	-	Accrued expenses (Note 13)	950,735	5	797,179	5
Other receivable - related parties (Note 18)	27,041	-	25,508	-	Other payables - related parties (Note 18)	-	-	26	-
Inventories, net (Notes 2 and 7)	1,854,079	9	1,183,842	7	Dividend payable (Note 13)	1,755,718	9	2,006,535	12
Deferred income tax assets - current (Notes 2 and 15)	32,644	-	21,881	-	Advance receipts and other current liabilities	146,333	1	67,719	-
Prepayments and other current assets	25,750	-	45,885	-					
Total current assets	6,360,398	31	5,833,813	33	Total current liabilities	5,301,336	26	5,110,887	29
LONG-TERM FUNDS AND INVESTMENTS					LONG-TERM LIABILITIES				
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 20)	2,456,032	12	2,328,780	13	Convertible bonds payable (Notes 11 and 20)	752,277	3	-	-
Equity-method investments (Notes 2 and 8)	7,611,117	37	6,851,407	39					
Total long-term funds and investments	10,067,149	49	9,180,187	52	OTHER LIABILITIES				
PROPERTIES (Notes 2 and 9)					Accrued pension liabilities (Notes 2 and 12)	104,204	1	103,578	1
Cost					Guarantee deposits received	6,300	-	-	-
Land	2,613,941	13	1,113,352	6	Deferred income tax liabilities - noncurrent (Notes 2 and 15)	401,906	2	301,712	2
Buildings	1,216,733	6	1,182,812	7	Deferred credits (Note 2)	274,009	1	207,700	1
Machinery and equipment	522,074	2	429,347	3	Others (Notes 2 and 8)	5,457	-	8,845	-
Furniture and fixtures	124,539	1	106,667	1					
Miscellaneous equipment	265,053	1	207,502	1	Total other liabilities	791,876	4	621,835	4
Total cost	4,742,340	23	3,039,680	18					
Accumulated depreciation	820,523	4	682,240	4	Total liabilities	6,845,489	33	5,732,722	33
Construction in progress and prepayment for equipment	3,921,817	19	2,357,440	14	SHAREHOLDERS' EQUITY				
Net properties	3,946,572	19	2,362,921	14	Capital stock, NT\$10.00 par value				
OTHER ASSETS					Authorized - 600,000 thousand shares				
Refundable deposits	6,686	-	6,262	-	Issued and outstanding - 501,634 thousand shares in 2011 and 516,134 thousand shares in 2010	5,016,337	25	5,161,337	29
Deferred expenses, net (Note 2)	81,105	1	108,634	1	For issuance	501,634	2	-	-
Total other assets	87,791	1	114,896	1	Total capital stock	5,517,971	27	5,161,337	29
					Capital surplus				
					Additional paid-in capital from share issuance in excess of par value	3,751,469	19	4,376,041	25
					From treasury stock	-	-	13,612	-
					From long-term equity investments	61,184	-	59,911	1
					Stock options	167,173	1	37,241	-
					Total capital surplus	3,979,826	20	4,486,805	26
					Retained earnings				
					Legal reserve	2,359,911	12	2,102,592	12
					Special reserve	621,662	3	70,136	-
					Unappropriated earnings	1,882,255	9	2,072,063	12
					Total retained earnings	4,863,828	24	4,244,791	24
					Others				
					Cumulative translation adjustments	(167,138)	(1)	173,626	1
					Net loss not recognized as pension cost	(2,121)	-	(2,353)	-
					Unrealized valuation loss on financial instruments	(575,945)	(3)	(919,413)	(5)
					Treasury stock - 14,500 thousand shares	-	-	(1,385,698)	(8)
					Total other equity	(745,204)	(4)	(2,133,838)	(12)
					Total shareholders' equity	13,616,421	67	11,759,095	67
TOTAL	\$ 20,461,910	100	\$ 17,491,817	100	TOTAL	\$ 20,461,910	100	\$ 17,491,817	100

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

(With Deloitte & Touche audit report dated August 5, 2011)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 18)				
Sales	\$ 9,411,643	99	\$ 7,387,470	99
Sales returns and allowances	<u>38,028</u>	<u>-</u>	<u>38,231</u>	<u>-</u>
Net sales	9,373,615	99	7,349,239	99
Other operating revenues	<u>124,360</u>	<u>1</u>	<u>81,958</u>	<u>1</u>
Total operating revenue	9,497,975	100	7,431,197	100
OPERATING COSTS (Notes 7, 16 and 18)	<u>6,892,951</u>	<u>73</u>	<u>5,555,914</u>	<u>75</u>
GROSS PROFIT	2,605,024	27	1,875,283	25
UNREALIZED INTERCOMPANY GAINS (Note 2)	(209,620)	(2)	(143,312)	(2)
REALIZED INTERCOMPANY GAINS (Note 2)	<u>185,219</u>	<u>2</u>	<u>120,265</u>	<u>2</u>
ADJUSTED GROSS PROFIT	<u>2,580,623</u>	<u>27</u>	<u>1,852,236</u>	<u>25</u>
OPERATING EXPENSES (Notes 16 and 18)				
Marketing	232,718	3	180,644	3
Administrative	220,469	2	217,408	3
Research and development	<u>769,334</u>	<u>8</u>	<u>593,510</u>	<u>8</u>
Total operating expenses	<u>1,222,521</u>	<u>13</u>	<u>991,562</u>	<u>14</u>
OPERATING INCOME	<u>1,358,102</u>	<u>14</u>	<u>860,674</u>	<u>11</u>
NONOPERATING INCOME AND GAINS				
Interest (Note 18)	538	-	1,649	-
Equity in net income of investees, net (Notes 2 and 8)	397,740	4	465,974	6
Gain on disposal of investments, net	1,277	-	977	-
Foreign exchange gain, net (Note 2)	53,756	1	-	-
Royalty revenue (Note 18)	163,543	2	125,808	2
Rental income (Note 18)	16,880	-	3,918	-
Valuation gain on financial instruments (Notes 2 and 5)	70,429	1	53,316	1
Dividend income	-	-	96,159	1
Other income (Note 18)	<u>131,894</u>	<u>1</u>	<u>60,740</u>	<u>1</u>
Total nonoperating income and gains	<u>836,057</u>	<u>9</u>	<u>808,541</u>	<u>11</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 18)	\$ 4,164	-	\$ 8	-
Foreign exchange loss, net (Note 2)	-	-	88,396	1
Financial instrument revaluation loss (Notes 2 and 5)	51,310	-	1,084	-
Other expenses	47	-	3,421	-
Total nonoperating expenses and losses	55,521	-	92,909	1
INCOME BEFORE INCOME TAX	2,138,638	23	1,576,306	21
INCOME TAX (Notes 2 and 15)	265,006	3	142,146	2
NET INCOME	\$ 1,873,632	20	\$ 1,434,160	19
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 17)				
Basic	\$ 3.88	\$ 3.40	\$ 2.86	\$ 2.60
Diluted	\$ 3.87	\$ 3.39	\$ 2.84	\$ 2.58

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

(With Deloitte & Touche audit report dated August 5, 2011)

(Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock - Issued and Outstanding (Note 13)		For Issuance (Note 13)	Capital Surplus (Notes 2, 11 and 13)				Retained Earnings (Notes 2 and 13)				Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Valuation Gain (Loss) on Financial Instruments (Notes 2 and 20)	Treasury Stock (Notes 2 and 14)	Total Shareholders' Equity	
	Shares (Thousands)	Amount		Share Issuance in Excess of Par Value	From Treasury Stock	From Long-term Investments	Stock Options	Total	Legal Reserve	Special Reserve	Unappropriated Earnings						Total
BALANCE, JANUARY 1, 2011	501,634	\$ 5,016,337	\$ -	\$ 4,253,103	\$ -	\$ 59,898	\$ 79,849	\$ 4,392,850	\$ 2,102,592	\$ 70,136	\$ 2,573,186	\$ 4,745,914	\$ (215,759)	\$ (2,121)	\$ (403,782)	\$ -	\$ 13,533,439
Appropriation of the 2010 earnings																	
Legal reserve	-	-	-	-	-	-	-	-	257,319	-	(257,319)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	551,526	(551,526)	-	-	-	-	-	-
Cash dividends - NTS3.5 per share	-	-	-	-	-	-	-	-	-	-	(1,755,718)	(1,755,718)	-	-	-	-	(1,755,718)
Issuance of common stock from capital surplus	-	-	501,634	(501,634)	-	-	-	(501,634)	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2011	-	-	-	-	-	-	-	-	-	-	1,873,632	1,873,632	-	-	-	-	1,873,632
Issuance of convertible bonds	-	-	-	-	-	-	44,716	44,716	-	-	-	-	-	-	-	-	44,716
Compensation recognized for employee stock options	-	-	-	-	-	-	42,608	42,608	-	-	-	-	-	-	-	-	42,608
Company's proportional recognition of the changes in investee's equity in their investments	-	-	-	-	-	1,286	-	1,286	-	-	-	-	-	-	-	-	1,286
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(158,307)	-	(158,307)
Equity in the changes in unrealized valuation loss on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,856)	-	(13,856)
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	48,621	-	-	-	48,621
BALANCE, JUNE 30, 2011	501,634	\$ 5,016,337	\$ 501,634	\$ 3,751,469	\$ -	\$ 61,184	\$ 167,173	\$ 3,979,826	\$ 2,359,911	\$ 621,662	\$ 1,882,255	\$ 4,863,828	\$ (167,138)	\$ (2,121)	\$ (575,945)	\$ -	\$ 13,616,421
BALANCE, JANUARY 1, 2010	516,134	\$ 5,161,337	\$ -	\$ 4,376,041	\$ 13,612	\$ 59,911	\$ 5,257	\$ 4,454,821	\$ 1,927,459	\$ 1,135,596	\$ 1,754,111	\$ 4,817,166	\$ 227,050	\$ (2,353)	\$ (294,833)	\$ (1,385,698)	\$ 12,977,490
Appropriation of the 2009 earnings																	
Legal reserve	-	-	-	-	-	-	-	-	175,133	-	(175,133)	-	-	-	-	-	-
Cash dividends - NTS4.00 per share	-	-	-	-	-	-	-	-	-	-	(2,006,535)	(2,006,535)	-	-	-	-	(2,006,535)
Reversal of special reserve	-	-	-	-	-	-	-	-	-	(1,065,460)	1,065,460	-	-	-	-	-	-
Net income for the six months ended June 30, 2010	-	-	-	-	-	-	-	-	-	-	1,434,160	1,434,160	-	-	-	-	1,434,160
Employee stock options	-	-	-	-	-	-	31,984	31,984	-	-	-	-	-	-	-	-	31,984
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(660,381)	-	(660,381)
Equity in the changes in unrealized gain on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,801	-	35,801
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	(53,424)	-	-	-	(53,424)
BALANCE, JUNE 30, 2010	516,134	\$ 5,161,337	\$ -	\$ 4,376,041	\$ 13,612	\$ 59,911	\$ 37,241	\$ 4,486,805	\$ 2,102,592	\$ 70,136	\$ 2,072,063	\$ 4,244,791	\$ 173,626	\$ (2,353)	\$ (919,413)	\$ (1,385,698)	\$ 11,759,095

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

(With Deloitte & Touche audit report dated August 5, 2011)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,873,632	\$ 1,434,160
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109,460	87,311
Amortization of discount on convertible bonds	1,334	-
Allowance for bad debts	14,395	-
Allowance for loss on inventories	4,731	12,010
Loss on disposal of scrap inventories	30,043	18,258
Gain on disposal of long-term equity investments, net	(12,740)	(977)
Loss on sale of available-for-sale financial assets, net	11,463	-
Gain on disposal of properties, net	(1)	(13)
Equity in net income of investees, net	(397,740)	(465,974)
Cash dividends from equity-method investees	123,326	101,849
Compensation cost of employee stock options	42,608	31,984
Accrued pension liabilities	(6)	613
Deferred income taxes	41,010	18,063
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	33,765	(6,135)
Notes receivable	(20,385)	(15,732)
Accounts receivable	(197,731)	(296,634)
Accounts receivable - related parties	(494,863)	(576,698)
Inventories	(573,933)	(384,571)
Other receivables	(23,273)	(18,299)
Other receivable - related parties	11,675	5,894
Prepayments and other current assets	(11,659)	65,033
Accounts payable	209,829	255,159
Accounts payable - related parties	63,354	153,958
Income tax payable	(23,193)	110,247
Accrued expenses	41,808	89,485
Advance receipts and other current liabilities	62,295	(18,431)
Deferred credits	<u>24,401</u>	<u>23,047</u>
Net cash provided by operating activities	<u>943,605</u>	<u>623,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of capital reduction of available-for-sale financial assets	3,109	1,645
Proceeds of disposal of equity-method investments	33,267	-
Acquisition of long-term equity investments	(91,650)	(811,709)
Proceeds of the sale of equity-method investments	25,361	2,159
Proceeds from the liquidation of equity-method investments	20,622	-
Acquisition of properties	(1,648,736)	(45,496)
Proceeds of the disposal of properties	137	91
Increase in deferred expenses	(14,502)	(11,754)
Decrease in refundable deposits	<u>339</u>	<u>428</u>
Net cash used in investing activities	<u>(1,672,053)</u>	<u>(864,636)</u>

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	\$ 6,300	\$ -
Increase in short-term loans	86,175	-
Issuance of convertible bonds	<u>800,000</u>	<u>-</u>
Net cash provided by financing activities	<u>892,475</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	164,027	(241,029)
CASH, BEGINNING OF PERIOD	<u>752,681</u>	<u>1,706,903</u>
CASH, END OF PERIOD	<u>\$ 916,708</u>	<u>\$ 1,465,874</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Income tax paid	<u>\$ 247,189</u>	<u>\$ 13,836</u>

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

(With Deloitte & Touche audit report dated August 5, 2011)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Advantech Co., Ltd. (the “Company”) was established in September 1981. It manufactures and sells embedded computing boards, industrial automation products, applied computers and industrial computers. Its stock has been listed on the Taiwan Stock Exchange since December 13, 1999.

To improve the entire operating efficiency of the group, the Company’s board of directors resolved to have a short-form merger with Advantech Investment and Management Service (AIMS). The effective merger date was July 30, 2009. As the survivor entity, the Company assumed all of the assets and liabilities of AIMS.

As of June 30, 2011 and 2010, the Company had 1,655 and 1,392 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, and Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, allowance for loss on inventories, depreciation of properties, pension cost, product warranty reserve, bonuses paid to employees and remunerations to directors and supervisors and income tax, etc. Actual results could differ from these estimates.

For the convenience of readers, 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 financial statements shall prevail.

The Company’s significant accounting policies are summarized as follows.

Current and Noncurrent Assets and Liabilities

Current assets include cash, those assets held primarily for trading purposes and to be realized, sold or consumed within one year from the balance sheet date. All other assets such as properties are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized as earnings when the financial asset is derecognized from the balance sheet. Purchase or sale of financial assets under customary transactions is recognized and derecognized using trading date accounting.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized as investment income upon ex-dividend day but are accounted for as reductions of the original cost of investment if these dividends are declared on the investees' earnings before investment acquisition. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. After the receipt of stock dividends, the cost per share is recalculated on the basis of the new number of total shares.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Sales are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and profit is realized or is realizable. The Company does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related allowances for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

Sales are measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectability of accounts receivable. This review involves the aging analysis of the outstanding receivables and assessing relevant economic circumstances.

As discussed in Note 3 to the financial statements, the Company early adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- The accounts receivable becoming overdue; or
- Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for collective impairment. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Inventories

Inventories consist of raw materials and supplies, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventory costs are determined using the weighted-average method.

Investments Accounted for by the Equity Method

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

If an investee issues additional shares and the Company acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Company's equity in its investee's net assets is credited to capital surplus. Any decrease in the Company's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

For equity-method investees over which the Company has controlling influence, if the losses in equity recognized exceeds the original investment acquisition costs, the Company recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Company totally until its previously recognized losses are covered. If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities.

All profits derived from sales of products by the Company to its subsidiaries are deferred but only profit in proportion to the Company's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Company is deferred in proportion to the Company's equity interests in the investees and credited against the investment. Profits from sales of products between equity-method investees are deferred to the extent of the Company's equity interests in these investees. The deferred profits are included as part of other liabilities. All of these profits are realized through the subsequent sale of the related products to third parties.

Stock dividends received are recorded only as an increase in the number of shares held but not recognized as investment income. Cost or carrying value per share is recomputed on the basis of total shares held after stock dividends are received.

For all stock investments, costs of investments sold are determined using the weighted-average method.

Properties

Properties are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are charged to current expense.

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings and equipment, 45 to 60 years; machinery and equipment, 2 to 8 years; furniture and fixtures 2 to 5 years; and miscellaneous equipment, 2 to 5 years. Properties still being used by the Company beyond their initially estimated service lives are depreciated over their newly estimated service lives.

Upon sale or other disposal of properties, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to nonoperating income or expenses in the year of disposal.

Deferred Expenses

Deferred expenses, consisting of computer software costs and royalties, are amortized over 2 to 8 years using the straight-line method.

Asset Impairment

An impairment loss should be recognized if the carrying amount of property, plant and equipment, deferred expenses and investments accounted for by the equity method, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized in prior years.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (CGUs) that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For long-term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 - "Share-based Payment." Under SFAS No. 39, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Convertible Bonds Payable

For convertible bonds issued on or after January 1, 2006, the Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Company uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Pursuant to the newly released Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement," transaction costs of bonds issued on or after January 1, 2006, net of related income tax benefit, are allocated in proportion to the liability and equity components of the bonds.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses on the defined benefit plan are recognized as part of the net periodic pension cost for the year.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity.

Upon disposal, the selling price in excess of the book value is recorded under capital surplus - treasury stock transaction. If the selling price is lower than book value, the difference is charged against capital surplus from treasury stock, and any deficit is debited to unappropriated retained earnings. Upon write-off, the capital surplus - additional paid-in capital from share issuance in excess of par is debited pro rata. If the book value exceeds the premium on issuance of capital stock, the difference is offset against capital surplus - treasury stock and any deficit is charged against unappropriated retained earnings. If the book value of treasury stock is lower than the total of capital stock and premium on stock issuance, the difference is credited to capital surplus - treasury stock.

Income Tax

The Company uses inter-period allocation to account for income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences, investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred income tax assets or liabilities are classified as current or noncurrent according to the nature of related assets or liabilities for financial reporting. But, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent depending on the expected realization date of the temporary difference.

If the Company can control the timing of the reversal of a temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary or joint venture and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

Investment tax credits for certain equipment or technology purchases, research expenditure, employee and trainings are recognized in the current period.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Income taxes (10%) on undistributed earnings generated since January 1, 1998 are recorded as expense in the year when the shareholders resolve to retain the earnings.

Foreign-currency Transactions

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At period-end, the balances of foreign-currency assets and liabilities that are carried at fair value are restated at the prevailing exchange rates, and the resulting differences are recorded as follows: Equity-method stock investments - as cumulative translation adjustments under shareholders' equity; other assets and liabilities - as credits or charges to current income.

At period-end, the balances of foreign-noncurrency assets and liabilities are restated at the prevailing exchange rates, the resulting differences are recognized as current earnings or a separate component of shareholders' equity, and Balances carried at cost are restated at the history rates and recognized as the rate of the trading rate.

3. ACCOUNTING CHANGES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables being now covered by SFAS No. 34; (2) amendment of the scope of the applicability of SFAS No. 34 to insurance contracts; (3) inclusion of loans and receivables originated by the Company in the items covered by SFAS No. 34; (4) the requirement to disclose additional guidelines on impairment testing of financial assets carried at amortized cost if the asset issuer or obligor has financial difficulties and the terms of obligations on the assets have been modified; and (5) the requirement to disclose a debtor's accounting treatment for modifications in the terms of its obligations. This accounting change had no significant impact on the Company's financial statements as of and for the six months ended June 30, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information on the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Company restated the segment information as of and for the six months ended June 30, 2010 to conform to the disclosures as of and for the six months ended June 30, 2011.

4. CASH

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 1,544	\$ 1,528
Checking and demand deposits	394,164	1,002,744
Time deposits: Interest - 0.41%-0.60% in 2011 and 0.250%-0.705% in 2010	<u>521,000</u>	<u>461,602</u>
	<u>\$ 916,708</u>	<u>\$ 1,465,874</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's trading-purpose financial instruments were as follows:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 28,042</u>	<u>\$ 46,091</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 50,128</u>	<u>\$ 28,882</u>

As of June 30, 2011 and 2010, the outstanding forward contracts were as follows:

	Currency	Maturity	Amount (Thousands)
<u>June 30, 2011</u>			
Sell	EUR/NTD	From December 2011 to April 2012	EUR3,000/NTD119,158
Sell	EUR/USD	From July 2011 to May 2012	EUR21,500/USD29,574
Sell	USD/NTD	From July 2011 to May 2012	USD70,014/NTD2,032,728
Sell	JPY/NTD	From January 2011 to March 2012	JPY50,000/NTD17,780
Sell	JPY/USD	From July 2011 to April 2012	JPY370,000/USD4,530
<u>June 30, 2010</u>			
Sell	EUR/NTD	From July 2010 to January 2011	EUR1,500/NTD65,064
Sell	EUR/USD	From July 2010 to May 2011	EUR15,000/USD19,609
Sell	USD/NTD	From July 2010 to May 2011	USD55,406/NTD1,757,064
Sell	JPY/NTD	July 2010	JPY10,000/NTD3,615
Sell	JPY/USD	From July 2010 to March 2011	JPY310,000/USD3,411

The Company entered into forward contract transactions for the six months ended June 30, 2011 and 2010 to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the fair value risks.

On trading financial assets or liabilities for the six months ended June 30, 2011 and 2010, there were a net gain of \$19,119 thousand and a net gain of \$52,232 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2011	2010
	Noncurrent	Noncurrent
Quoted domestic stocks		
ASUSTEK Computer Inc.	\$ 1,771,406	\$ 1,644,996
Pegatron Corp.	549,976	555,522
Chunghwa Telecom Co., Ltd.	122,871	99,335
Quoted overseas stocks		
SG Advantech Co., Ltd.	<u>11,779</u>	<u>28,927</u>
	<u>\$ 2,456,032</u>	<u>\$ 2,328,780</u>

7. INVENTORIES, NET

	June 30	
	2011	2010
Finished goods	\$ 618,811	\$ 349,974
Work in process	354,664	281,719
Materials and supplies	863,830	525,386
Inventories in transit	<u>16,774</u>	<u>26,763</u>
	<u>\$ 1,854,079</u>	<u>\$ 1,183,842</u>

As of June 30, 2011 and 2010, the allowances for loss were \$127,549 thousand and \$102,769 thousand, respectively.

As of June 30, 2011 and 2010, the costs of goods sold related to inventories were \$6,892,951 thousand and \$5,555,914 thousand, respectively, which included allowance for loss of \$4,731 thousand and inventory scraps for loss of \$30,043 thousand for the six months ended June 30, 2011, and allowance for loss of \$12,010 thousand and inventory scraps for loss of \$18,258 thousand for the six months ended June 30, 2010.

8. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2011		2010	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 359,070	26.62	\$ 362,547	27.53
<u>Unlisted</u>				
Advantech Technology Co., Ltd.	2,351,421	100.00	2,183,453	100.00
Advantech Automation Corp. (BVI)	2,130,481	100.00	2,013,197	100.00
Advantech Europe Holding B.V.	954,512	100.00	711,126	100.00
Advantech Investment Fund-A Co., Ltd.	873,342	100.00	877,043	100.00
Advansus Corp.	218,384	50.00	214,930	50.00
Advantech Japan Co., Ltd.	168,392	100.00	134,043	100.00
Advantech KR Co., Ltd.	132,762	100.00	62,635	50.50
ACA Digital Corporation	95,064	98.59	-	-
Advantech Co. Singapore Pte, Ltd.	88,958	100.00	72,248	100.00
Advantech Australia Pty Ltd.	82,209	100.00	78,018	100.00
Advantech Intelligence Service	81,320	100.00	49,983	100.00
Advantech Co., Malaysia Sdn. Bhd	38,372	100.00	35,913	100.00
Advantech Brazil	27,483	43.28	12,268	43.28
Advantech Hungary Ltd.	9,347	30.00	15,245	30.00
Advantech (Yan Shun) Holding Co., Ltd.	-	-	28,758	100.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
	<u>\$ 7,611,117</u>		<u>\$ 6,851,407</u>	

The equity-method investees' financial statements of the same reporting periods as those of the Company, which were used to calculate the equity-method investments and the equity in the investees' net gain or loss, were all unaudited, except those of (a) Advantech Technology Co., Ltd., and (b) Advantech Automation Corp. (BVI)'s subsidiaries, Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) and Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) as of and for the six months ended June 30, 2011 and 2010.

In January 2011, the Company acquired ACA Digital Corporation for \$91,650 thousand to complete the Company's line of robust industrial products in portable computing and to expand the Company's product development for a stronger presence in the automation industry.

On November 2, 2010, the Company wholly acquired, through AEU, Innocore Holding Ltd., a firm based in the United Kingdom, for £3,340 thousand to integrate the gaming computing industry with the Company's R&D on its embedded computing products, manufacturing capacity, and resources in the European market. Through this acquisition, the Company also aims to provide solutions to the problems faced by the gaming industry as well as explore more opportunities in the gaming business.

On March 15, 2010, the Company wholly acquired, through AEUH, DLoG GmbH, a subsidiary of Augusta Technologie AG and maker of industrial vehicles, for EUR12,852 thousand to integrate the marketing, sales, R&D and manufacturing systems of the Company and DLoG GmbH; accelerate expansion in major markets; and enhance the Company's leadership position in the industrial vehicle market.

On the foregoing acquisition, the movements of the difference allocated to goodwill for the six months ended June 30, 2011 and 2010 were as follows:

	Six Months Ended June 30	
	2011	2010
Cost		
Balance, beginning of period	\$ 93,108	\$ 115,712
Amount recognized on acquisition of investments	68,970	18,374
Amount recognized on disposal of investments	(333)	-
Translation adjustment	<u>4,983</u>	<u>(13,862)</u>
Balance, end of period	<u>\$ 166,728</u>	<u>\$ 120,224</u>

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the six months ended June 30, 2011 and 2010. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments Under the Equity Method" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of June 30, 2011 and 2010, there were credit balances on the carrying value of \$5,457 thousand and \$8,845 thousand, respectively, included in other liability - others.

The market values of the listed shares which were calculated on the basis of the closing prices of June 30, 2011 and 2010 were \$638,197 thousand and \$539,394 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the six months ended June 30, 2011 and 2010.

9. PROPERTIES

The changes in properties were as follows:

	Six Months Ended June 30, 2011				
	Beginning Balance	Acquisition	Disposal	Reclassifi- cation	Ending Balance
Properties					
Cost					
Land	\$ 1,113,352	\$ 1,500,589	\$ -	\$ -	\$ 2,613,941
Buildings	1,182,812	33,921	-	-	1,216,733
Machinery and equipment	451,039	43,288	235	27,982	522,074
Furniture and fixtures	115,997	9,196	654	-	124,539
Other equipment	<u>242,815</u>	<u>17,744</u>	<u>176</u>	<u>4,670</u>	<u>265,053</u>
	<u>\$ 3,106,015</u>	<u>\$ 1,604,738</u>	<u>\$ 1,065</u>	<u>\$ 32,652</u>	<u>4,742,340</u>

(Continued)

	Six Months Ended June 30, 2011				
	Beginning Balance	Acquisition	Disposal	Reclassifi- cation	Ending Balance
Accumulated depreciation					
Buildings	\$ 181,600	\$ 19,488	\$ -	\$ -	201,088
Machinery and equipment	337,884	30,685	147	-	368,422
Furniture and fixtures	79,777	7,912	606	-	87,083
Other equipment	<u>144,310</u>	<u>19,796</u>	<u>176</u>	<u>-</u>	<u>163,930</u>
	<u>743,571</u>	<u>\$ 77,881</u>	<u>\$ 929</u>	<u>\$ -</u>	<u>820,523</u>
	2,362,444				3,921,817
Prepayments for equipment	<u>13,964</u>	<u>\$ 43,998</u>	<u>\$ -</u>	<u>\$ (33,207)</u>	<u>24,755</u>
	<u>\$ 2,376,408</u>				<u>\$ 3,946,572</u>

(Concluded)

	Six Months Ended June 30, 2010				
	Beginning Balance	Acquisition	Disposal	Reclassifi- cation	Ending Balance
Properties					
Cost					
Land	\$ 1,113,352	\$ -	\$ -	\$ -	\$ 1,113,352
Buildings	1,182,812	-	-	-	1,182,812
Machinery and equipment	404,105	11,426	2,423	16,239	429,347
Furniture and fixtures	102,026	7,276	2,635	-	106,667
Other equipment	<u>196,481</u>	<u>14,315</u>	<u>3,294</u>	<u>-</u>	<u>207,502</u>
	<u>2,998,776</u>	<u>\$ 33,017</u>	<u>\$ 8,352</u>	<u>\$ 16,239</u>	<u>3,039,680</u>
Accumulated depreciation					
Buildings	158,406	\$ 11,597	\$ -	\$ -	170,003
Machinery and equipment	291,543	24,409	2,423	-	313,529
Furniture and fixtures	65,456	8,967	2,557	-	71,866
Other equipment	<u>112,756</u>	<u>17,380</u>	<u>3,294</u>	<u>-</u>	<u>126,842</u>
	<u>628,161</u>	<u>\$ 62,353</u>	<u>\$ 8,274</u>	<u>\$ -</u>	<u>682,240</u>
	2,370,615				2,357,440
Prepayments for equipment	<u>9,390</u>	<u>\$ 12,505</u>	<u>\$ -</u>	<u>\$ (16,414)</u>	<u>5,481</u>
	<u>\$ 2,380,005</u>				<u>\$ 2,362,921</u>

10. SHORT-TERM LOANS

	June 30	
	2011	2010
Credit loans - interest rate: 0.89%-0.91%	<u>\$ 86,175</u>	<u>\$ -</u>

As of June 30, 2011, unused short-term credit lines amounted to \$2,100,075 thousand.

11. BONDS PAYABLE

	June 30	
	2011	2010
Unsecured domestic convertible bonds	\$ 800,000	\$ -
Deduct: Unamortized discount on bonds payable	<u>(47,723)</u>	<u>-</u>
	<u>\$ 752,277</u>	<u>\$ -</u>

On May 26, 2011, the Company issued 3-year unsecured convertible bonds, with an aggregate face value of \$800,000 thousand and a coupon rate of 0%, the effective interest rate was 2.13%. If the bonds are not converted, the Company should redeem the bonds at their face value upon maturity. According to Statement of Financial Accounting Standard (SFAS) No. 36 - "Financial Instruments: Disclosure and Presentation," the Company has bifurcated the bonds into liability and equity components. As of June 30, 2011, the bonds had been recorded as stock options from capital surplus amounting to \$44,716 thousand and bonds payable amounting to \$750,943 thousand.

12. PENSION PLAN

Under the Labor Pension Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension costs under the defined contribution plan were \$32,331 thousand and \$25,821 thousand for the six months ended June 30, 2011 and 2010, respectively.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulated up to 45 based points, and the benefits based on employee's average monthly salary for the six-month period prior to retirement. Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan. The pension costs under the defined benefit pension plan were \$3,714 thousand and \$4,085 thousand for the six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the balances of the pension fund were \$113,837 thousand and \$107,204 thousand, respectively.

13. SHAREHOLDERS' EQUITY

Capital Surplus

Based on certain laws or regulations, capital surplus from long-term equity investments accounted for by the equity method cannot be used for any purpose. Other capital surplus may be used only to offset a deficit. Capital surplus from the issue of stock in excess of par value may be capitalized by issuing new shares to shareholders in proportion to their holdings, and capitalized amounts should be within certain limits.

Appropriation of Earnings and Dividend Policy

The Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income less any cumulative losses. In addition, a special reserve should be appropriated as needed. The remainder of the income should be appropriated in the following order:

- a. 1% to 20% as bonus to employees;
- b. 1% or less as remuneration to directors and supervisors; and
- c. Dividends, as proposed by the board of directors.

For stock bonuses, employees may include subsidiaries' employees who meet certain criteria as determined by the Company's board of directors.

Any appropriations of earnings are recorded in the year of shareholders' approval following the year of earnings generation.

The bonus to employees and remunerations to directors and supervisors of \$25,000 thousand and \$182,016 thousand for the six months ended June 30, 2011 and 2010, respectively (classified under accrued expenses) were estimated and accrued on the basis of past experience. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized gain or loss on financial instruments and cumulative transaction adjustments) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Company's paid-in capital. This reserve may be used only to offset a deficit. When the balance of the reserve reaches 50% of the Company's outstanding capital stock, up to 50% thereof may be transferred to capital.

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate local shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interest, and the sustainability of the Company's growth. The policy also requires that stock dividends be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

The appropriations of earnings for 2010 and 2009 were approved in the shareholders' meetings held on May 25, 2011 and May 18, 2010, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2010	2009	2010	2009
Legal reserve	\$ 257,319	\$ 175,133		
Special reserve	551,526	-		
Cash dividends	1,755,718	2,006,535	\$3.5	\$4.0

The bonus to employees and the remuneration to directors and supervisors for 2010 and 2009 approved in the shareholders' meetings on May 25, 2011 and May 18, 2010, respectively, were as follows:

	Cash	
	Six Months Ended June 30	
	2010	2009
Bonus to employees	\$ 20,000	\$ 175,000
Remuneration to directors and supervisors	10,000	3,000

The amounts of the bonus to employees and the remuneration to directors and supervisors were not different from the accrual amounts reflected in the financial statements.

Information on the appropriation of bonus to employees and remuneration to directors and supervisors can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

At their meeting on May 25, 2011, the shareholders approved the issuance of common stock from capital surplus, which amounted to \$501,634 thousand (recorded as capital stock for issuance). This issuance was approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved July 17, 2011 as the date of issuance, and the Company then completed its revised registration with the Ministry of Economic Affairs.

Qualified employees of the Company and its subsidiaries were granted stock options at 3,000 units in July 2010 and 10,000 units in December 2009. Each option entitles the holder to subscribe for one thousand common shares of the Company. Options issued in July 2010 and December 2009 are valid for 5 years. Both are exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the grant date. For any changes in the Company's paid-in capital, the exercise price and the number of options are adjusted accordingly.

The status of employee stock options is as follows:

	Six Months Ended June 30			
	2011		2010	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of period	13,000	\$60.35	10,000	\$61.90
Options granted	-	-	-	-
Options exercised	-	-	-	-
Balance, end of period	<u>13,000</u>		<u>10,000</u>	
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)		\$16.45-\$20.25		\$16.45-\$18.13

Information on outstanding options as of June 30, 2011 and 2010 is as follows:

	June 30			
	2011		2010	
	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2010	\$67.40	4.03	\$ -	-
Issuance in 2009	58.24	3.42	61.9	4.42

Options granted in 2010 were priced using the Black-Scholes model, and the inputs to the model were as follows:

Grant-date share price (NT\$)	\$67.4
Exercise price (NT\$)	\$67.4
Expected volatility	34.11%-35.15%
Expected life (years)	3.5-4.5
Expected dividend yield	0%
Risk-free interest rate	0.92%-1.10%

Options granted in 2009 were priced using the Black-Scholes model, and the inputs to the model were as follows:

Grant-date share price (NT\$)	61.9
Exercise price (NT\$)	61.9
Expected volatility	33.78%-35.22%
Expected life (years)	3.5-4.5
Expected dividend yield	0%
Risk-free interest rate	0.58%-0.79%

Expected volatility is based on the historical stock price volatility over the past five years.

Compensation costs recognized were \$42,608 thousand and \$31,984 thousand for the six months ended June 30, 2011 and 2010, respectively.

14. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
<u>Six months ended June 30, 2010</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>

At their meeting on November 2, 2010, the board of directors approved the retirement of the Company's treasury stock since this treasury stock had not been transferred for three years since the date of acquisition. The Company completed the registration of this retirement with the Ministry of Economic Affairs.

Under the Securities and Exchange Act, the Company should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

15. INCOME TAX

- a. Reconciliation of income tax expense based on income tax at (17%) statutory income tax rates to income tax expense and current income tax payable were as follows:

	Six Months Ended June 30	
	2011	2010
Tax on pretax income at statutory rate	\$ 363,568	\$ 267,972
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(20,954)	(1,124)
Other	(14,622)	(27,587)
Temporary differences	(19,980)	(56,993)
Additional 10% income tax on unappropriated earnings	862	-
Investment tax credit	<u>(84,878)</u>	<u>(58,185)</u>
Income tax currently payable	<u>\$ 223,996</u>	<u>\$ 124,083</u>

- b. Income tax expense consisted of the following:

	Six Months Ended June 30	
	2011	2010
Income tax currently payable	\$ 223,996	\$ 124,083
Income tax expense		
Temporary differences	41,010	60,967
Effect of tax law changes on deferred income tax	-	(34,816)
Adjustment in valuation allowance due to changes in tax laws	-	(8,088)
Adjustments for prior years' tax	<u>-</u>	<u>-</u>
	<u>\$ 265,006</u>	<u>\$ 142,146</u>

The tax law changes mentioned above refer to the Legislative Yuan's passing of the following amendments to tax laws:

- 1) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive is effective from January 1, 2010 and till December 31, 2019.
 - 2) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.
- c. The change in the income tax payable shown in the balance sheets consisted of the following:

	Six Months Ended June 30	
	2011	2010
Balance, beginning of period	\$ 365,056	\$ 144,401
Income tax currently payable	223,996	124,083
Payment	<u>(247,189)</u>	<u>(13,836)</u>
Balance, end of period	<u>\$ 341,863</u>	<u>\$ 254,648</u>

d. Net deferred income taxes as of June 30, 2011 and 2010 were as follows:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 21,683	\$ 17,471
Unrealized product warranty reserve	6,129	4,459
Unrealized foreign exchange loss	<u>4,832</u>	<u>-</u>
	32,644	21,930
Deferred income tax liabilities		
Unrealized exchange gains	<u>-</u>	<u>(49)</u>
Deferred income tax assets, net	<u>\$ 32,644</u>	<u>\$ 21,881</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of foreign investees	\$ 35,688	\$ 43,882
Deferred income	35,635	24,363
Pension cost	17,724	17,571
Investment tax credits	<u>-</u>	<u>-</u>
	89,047	85,816
Valuation allowance	<u>(35,688)</u>	<u>(43,882)</u>
	53,359	41,934
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	<u>(455,265)</u>	<u>(343,646)</u>
Deferred income tax liabilities, net	<u>\$ (401,906)</u>	<u>\$ (301,712)</u>

The income tax rate used to recognize deferred income tax was 17% for the six months ended June 30, 2011 and 2010.

e. As of June 30, 2011, the status of the Company's five-year exemption from income tax status was as follows:

<u>Investment Plan</u>	<u>Exemption Period</u>
Manufacturing products that integrate life science and business intelligence	From 2011 to 2015

f. The information on the Company's integrated income tax is as follows:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Balance of the imputation credit account (ICA)	<u>\$ 254,454</u>	<u>\$ 319,519</u>
The balances of unappropriated retained earnings generated before 1997	<u>\$ -</u>	<u>\$ 2,779</u>

The expected and actual creditable tax ratios for earnings were 9.89% and 11.34% as of December 31, 2010 and 2009, respectively. The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected creditable ratio may change when the actual allocation of the imputation credits is made.

g. Income tax returns through 2005 had been examined and cleared by the tax authorities.

16. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	Six Months Ended June 30					
	2011			2010		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	\$ 148,426	\$ 723,234	\$ 871,660	\$ 149,499	\$ 572,165	\$ 721,664
Insurance	15,049	39,599	54,648	11,025	29,648	40,673
Pension	8,670	27,375	36,045	6,824	23,082	29,906
Others	<u>14,563</u>	<u>29,239</u>	<u>43,802</u>	<u>12,344</u>	<u>21,522</u>	<u>33,866</u>
	<u>\$ 186,708</u>	<u>\$ 819,447</u>	<u>\$1,006,135</u>	<u>\$ 179,692</u>	<u>\$ 646,417</u>	<u>\$ 826,109</u>
Depreciation	<u>\$ 15,227</u>	<u>\$ 62,654</u>	<u>\$ 77,881</u>	<u>\$ 16,824</u>	<u>\$ 45,529</u>	<u>\$ 62,353</u>
Amortization	<u>4,940</u>	<u>26,639</u>	<u>31,579</u>	<u>41</u>	<u>\$ 24,917</u>	<u>\$ 24,958</u>

17. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amount (Numerator)		(Denominator) (Thousands)	Earnings Per Share	
	Pretax	After-tax		Pretax	After-tax
<u>Six months ended June 30, 2011</u>					
Basic EPS	\$ 2,138,638	\$ 1,873,632	551,797	<u>\$ 3.88</u>	<u>\$ 3.40</u>
Impact of dilutive potential common stock					
Bonuses to employees	<u>-</u>	<u>-</u>	<u>244</u>		
Diluted EPS	<u>\$ 2,138,638</u>	<u>\$ 1,873,632</u>	<u>552,041</u>	<u>\$ 3.87</u>	<u>\$ 3.39</u>
<u>Six months ended June 30, 2010</u>					
Basic EPS	\$ 1,576,306	\$ 1,434,160	551,797	<u>\$ 2.86</u>	<u>\$ 2.60</u>
Impact of dilutive potential common stock					
Bonuses to employees	<u>-</u>	<u>-</u>	<u>3,174</u>		
Diluted EPS	<u>\$ 1,576,306</u>	<u>\$ 1,434,160</u>	<u>554,971</u>	<u>\$ 2.84</u>	<u>\$ 2.58</u>

The amount of earnings per share increases when the employee's stock option is taken into consideration, which means that the employee's stock option works against the dilution effect. Therefore, the employee's stock option should not be considered when calculating the diluted earnings per share.

The Accounting Research and Development Foundation issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares

have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuances of stock from capital surplus. This adjustment caused the basic before and after income tax EPS for the six months ended June 30, 2010 to decrease from NT\$3.14 to NT\$2.86 and from NT\$2.86 to NT\$2.60, respectively, and the diluted before and after income tax EPS for the six months ended June 30, 2010 to decrease from NT\$3.12 to NT\$2.84 and from NT\$2.84 to NT\$2.58, respectively.

18. RELATED-PARTY TRANSACTIONS

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Advantech Investment Fund-A Co., Ltd. (“Advantech Fund-A”)	Equity-method investee
Axiomtek Co., Ltd. (“Axiomtek”)	Equity-method investee
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEUH)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
SG Advantech Co., Ltd. (former name: Advantech Technologies Co., Ltd.) (SGA)	Equity-method investee
Advantech KR Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (Yanshun) Holding Co., Ltd. (AYS)	Equity-method investee (AYS was fully liquidated in April 2011)
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech (HK) Technology Co., Ltd. (AHK)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Europe B.V. (AEU)	Equity-method investee of AEUH
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEUH
DLoG GmbH (DLoG)	Equity-method investee of AEUH
Innocore Holding Limited (Innocore)	Equity-method investee of AEU
Innocore Gaming Ltd. (UK) (IGL)	Equity-method investee of Innocore
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Corp. (ANA)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (HK)
Yan Hua Xing Ye Electronic (SHHQ)	Equity-method investee of AAC (HK)
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. (“Netstar”)	Equity-method investee of Advantech Fund-A
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. (“Broadwin”)	Equity-method investee of Advantech Fund-A
Cermate Technologies Inc. (Cermate)	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	Equity-method investee of Netstar

(Continued)

Related Party	Relationship with the Company
Avalue Technology Inc. (“Avalue”)	The Company’s chairman is Avalue Technology Inc.’s director
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Equity-method investee of AAC (HK)
Xi’an Advantech Software Ltd. (AXA) Advantech International Co., Ltd.	Equity-method investee of AAC (HK) Advantech International Co., Ltd.’s owner is a second-degree relative of the Company’s chairman
Advantech Intelligent Service (AiST) K&M Investment Co., Ltd. (K&M)	Equity-method investee The spouse of the Company’s chairman is K&M’s director
AIDC Investment Corp. (AIDC)	The spouse of the Company’s chairman is AIDC’s director
ACA Digital Corporation (ACA)	Equity-method investee

(Concluded)

The Company’s related parties, in addition to those listed above, are shown in Table 7.

- b. The significant transactions with the above related parties, in addition to those disclosed in Note 19 and Table 2, are summarized as follows:

	2011		2010	
	Amount	% of Total	Amount	% of Total
<u>For the six months ended June 30</u>				
Sales				
ANA	\$ 2,462,335	26	\$ 1,961,724	27
AEU	1,206,787	13	905,164	12
ACN	1,203,369	13	923,640	13
AiSC	905,654	10	720,131	10
AKMC	217,138	2	240,232	3
AKR	191,864	2	175,807	2
AJP	182,013	2	160,233	2
AAU	83,096	1	76,111	1
ASG	64,790	1	72,775	1
ABR	41,479	1	40,249	1
ATH	29,224	-	12,397	-
Avalue	21,205	-	13,826	-
AMY	18,478	-	19,206	-
Axiomtek	13,838	-	8,780	-
ACA	13,094	-	-	-
AiST	11,989	-	-	-
Advansus Corp.	7,838	-	8,148	-
Innocore	6,151	-	-	-
DLoG	5,624	-	202	-
APL	5,606	-	4,083	-
Broadwin	1,135	-	659	-
BCM	596	-	392	-
Netstar	369	-	3,587	-
Others	61	-	-	-
	<u>\$ 6,693,733</u>	<u>71</u>	<u>\$ 5,347,346</u>	<u>72</u>

	2011		2010	
	Amount	% of Total	Amount	% of Total
Purchase of materials and supplies				
ATC	\$ 3,242,778	47	\$ 2,510,186	45
Advansus Corp.	657,362	10	893,047	16
AiST	325,744	5	-	-
ANA	65,213	1	50,683	1
Netstar	39,282	1	32,749	1
ACA	19,086	-	-	-
Jan Hsiang	11,703	-	11,921	-
Cermate	8,949	-	4,480	-
ACN	6,383	-	1,317	-
AKR	4,713	-	-	-
BCM	2,285	-	327	-
AEU	417	-	688	-
Axiomtek	79	-	125	-
Broadwin	50	-	259	-
Others	89	-	86	-
	<u>\$ 4,384,133</u>	<u>64</u>	<u>\$ 3,505,868</u>	<u>63</u>
Operating expenses:				
Rental expense				
K&M	\$ 2,233	-	\$ 670	-
AIDC	1,746	-	-	-
	<u>3,979</u>	<u>-</u>	<u>670</u>	<u>-</u>
Administration expense				
AHK	2,782	-	-	-
ASG	2,407	-	-	-
AMY	384	-	-	-
	<u>5,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,552</u>	<u>-</u>	<u>\$ 670</u>	<u>-</u>
Nonoperating income and gains				
Royalty revenue for patent				
ATC	<u>\$ 163,543</u>	<u>100</u>	<u>\$ 125,808</u>	<u>100</u>
Rental revenues				
Advansus Corp.	\$ 3,510	21	\$ 3,510	5
BCM	390	2	390	1
Advantech Fund-A	18	-	18	-
	<u>\$ 3,918</u>	<u>23</u>	<u>\$ 3,918</u>	<u>6</u>
Interest income				
AKR	<u>\$ -</u>	<u>-</u>	<u>\$ 21</u>	<u>1</u>

	2011		2010	
	Amount	% of Total	Amount	% of Total
Other revenue				
ACN	\$ 14,255	11	\$ 8,246	14
ANA	10,731	8	11,120	18
Advansus Corp.	8,941	7	5,209	9
AJP	8,169	6	4,954	8
AEU	5,863	4	-	-
AKR	2,284	2	15,923	26
AAU	1,160	1	-	-
ASG	967	1	-	-
AIDC	750	1	750	1
DLoG	635	1	-	-
AMY	618	1	-	-
ABR	526	-	-	-
Netstar	480	-	400	1
Broadwin	480	-	350	1
Cermate	360	-	160	-
K&M	250	-	250	-
ATH	204	-	-	-
	<u>\$ 56,673</u>	<u>43</u>	<u>\$ 47,362</u>	<u>78</u>
Nonoperating expenses and losses				
Interest expense				
Advantech Fund-A	\$ 832	-	\$ -	-

Other revenues were from providing management service and technical support.

	2011		2010	
	Amount	% of Total	Amount	% of Total
<u>As of June 30</u>				
Accounts receivable - related parties				
AEU	\$ 875,722	36	\$ 619,752	30
ACN	555,571	23	444,964	22
AiSC	442,297	19	262,934	13
ANA	371,349	15	373,205	18
AKR	50,880	2	85,101	4
AAU	37,583	2	36,239	2
AJP	30,294	1	23,227	1
ASG	27,052	1	36,083	2
ABR	17,040	1	20,952	1
Avalue	9,682	-	2,150	-
ATH	6,404	-	2,622	-
AMY	6,375	-	7,891	-
ACA	3,831	-	-	-
Axiomtek	3,266	-	3,591	-
Innocore	2,370	-	-	-

(Continued)

	2011		2010	
	Amount	% of Total	Amount	% of Total
AiST	\$ 2,098	-	\$ -	-
Advansus Corp.	1,873	-	1,816	-
APL	1,623	-	2,961	-
DLoG	1,057	-	-	-
Broadwin	499	-	421	-
Netstar	47	-	1,255	-
AKMC	-	-	130,053	6
Others	7	-	-	-
	<u>\$ 2,446,920</u>	<u>100</u>	<u>\$ 2,055,217</u>	<u>100</u>

(Concluded)

	2011		2010	
	Amount	% of Total	Amount	% of Total
Other receivables - related parties				
ACN	\$ 8,451	31	\$ 8,628	34
AEU	6,728	25	132	1
ANA	4,147	15	413	2
Advansus Corp.	2,306	9	2,944	12
AJP	1,622	6	475	2
AKR	925	3	10,484	41
AAU	677	3	174	1
DLoG	634	2	-	-
ASG	544	2	-	-
ABR	337	1	117	-
AiSC	227	1	-	-
AMY	141	1	-	-
BCM	68	-	68	-
Netstar	-	-	446	2
Broadwin	-	-	368	1
AKMC	-	-	344	1
Cermate	-	-	126	-
Others	234	1	248	1
	<u>\$ 27,041</u>	<u>100</u>	<u>\$ 25,508</u>	<u>100</u>

Accounts payable - related parties				
ATC	\$ 1,077,103	86	\$ 1,022,596	81
Advansus Corp.	121,195	10	178,321	14
Netstar	19,403	2	16,905	1
ANA	10,334	1	18,373	1
AiST	10,045	1	-	-
Jan Hsiang	2,565	-	3,851	1
Cermate	1,470	-	1,560	-
AEU	1,409	-	344	-
ACN	1,106	-	1,043	-

(Concluded)

	2011		2010	
	Amount	% of Total	Amount	% of Total
ASG	\$ 880	-	\$ -	-
AHK	491	-	-	-
AJP	302	-	-	-
APL	130	-	683	-
AYS	-	-	22,914	2
AMY	-	-	408	-
Broadwin	-	-	91	-
Others	<u>737</u>	<u>-</u>	<u>862</u>	<u>-</u>
	<u>\$ 1,247,170</u>	<u>100</u>	<u>\$ 1,267,951</u>	<u>100</u>
Other payables - related parties				
ABR	<u>\$ -</u>	<u>-</u>	<u>\$ 26</u>	<u>100</u>

The Company acquired machinery and equipment and office equipment at book value from ACA for \$16,403 thousand in February 2011; from Netstar for \$667 thousand in March 2011; from Advanusus Corp. for \$48 thousand in April 2011; and from AKMC for \$89 thousand in June 2011.

Financing to related parties was as follows (part of other receivable - related parties and other payable - related parties):

	Six Months Ended June 30, 2011			
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Advantech Fund-A	<u>\$ 200,000</u>	<u>\$ -</u>	1.2%	<u>\$ 832</u>
	Six Months Ended June 30, 2010			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
AKR	<u>\$ 14,000</u> (KRW500,000 thousand)	<u>\$ -</u>	3%	<u>\$ 21</u>

Operating lease contracts with related parties on the use of buildings were based on market prices and made under normal terms. Product sales were conducted under normal terms. The payment terms for related parties were 30 to 90 days. Terms for third parties were 30 to 60 days.

19. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, the Company had the following guarantees for affiliates' loans:

	Amount
AKMC	<u>\$ 304,485 thousand</u>
Advantech Fund-A	<u>\$ 300,000 thousand</u>
AiST	<u>\$ 200,000 thousand</u>
Advansus Corp.	<u>\$ 100,000 thousand</u>
ACA	<u>\$ 50,000 thousand</u>
Cermate	<u>\$ 40,000 thousand</u>
AAU	<u>\$ 5,745 thousand</u>

20. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Available-for-sale financial assets - noncurrent	\$ 2,456,032	\$ 2,456,032	\$ 2,328,780	\$ 2,328,780
Liabilities				
Convertible bonds payable	752,777	835,284	-	-
<u>Derivative financial instruments and location</u>				
Financial assets at fair value through profit or loss - current				
Domestic	4,690	4,690	6,733	6,733
Foreign (including a foreign corporation operating locally)	23,352	23,352	39,358	39,358
Financial liabilities at fair value through profit or loss - current				
Domestic	5,661	5,661	11,030	11,030
Foreign (including a foreign corporation operating locally)	44,467	44,467	17,852	17,852

b. Methods and assumptions used in the determination of fair values of financial instruments

- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, other receivables, other receivables from related parties, refundable deposits, short-term loans, accounts payables, payables to related parties, expense payables, other payables to related parties and guarantee deposits received the carrying amounts of these financial instruments approximate their fair values.
- 2) Fair values of available-for-sale financial assets were based on their quoted market price.
- 3) Fair values of derivatives were determined using quoted market prices or estimates based on valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.

- c. The fair values of the Company's financial assets and liabilities were based on quoted market prices or estimated using certain valuation techniques, as follows:

	<u>Based on Quoted Market Price</u>		<u>Determined Using Valuation Techniques</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Asset</u>				
Financial assets at fair value through profit or loss -				
current	\$ -	\$ -	\$ 28,042	\$ 46,091
Available-for-sale financial assets - noncurrent	2,456,032	2,328,780	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current	-	-	50,128	28,882
Convertible bonds payable	835,284	-	-	-

- d. As of June 30, 2011 and 2010, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$521,000 thousand and \$461,602 thousand, respectively, and financial assets exposed to cash flow risk from interest rate fluctuation amounted to \$393,245 thousand and \$1,000,520 thousand, respectively. As of June 30, 2011, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to \$86,175 thousand.
- e. The Company recognized an unrealized loss of \$158,307 thousand and an unrealized loss of \$660,381 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2011 and 2010, respectively. The Company also recognized an unrealized loss of \$13,856 thousand and an unrealized gain of \$35,801 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the six months ended June 30, 2011 and 2010, respectively.
- f. Financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.
 - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.
 - 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Company keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

21. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 18 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2011, accumulated inward remittance of earnings as of June 30, 2011 and maximum allowable limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 18 and 19 and Tables 1, 2, 5 and 6.

22. SEGMENT INFORMATION

Segment information is provided to the Company's chief operating decision maker for allocating resources to the segments and assessing their performance. The information puts emphasis on every type of products sold or services provided. The Company has disclosed segment information in the consolidated financial reports in accordance with Statement of Financial Accounting Standards No. 41 - "Operating Segments."

23. OTHER

Information on the Company's foreign currency-denominated financial assets and liabilities with significant effect on the financial statements is as follows:

	June 30					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 83,726	28.725	\$ 2,405,029	\$ 69,175	32.150	\$ 2,223,976
EUR	22,054	41.630	918,108	16,110	39.320	633,445
JPY	92,799	0.357	33,129	68,767	0.363	24,962
Nonmonetary items						
USD	976	28.725	28,042	898	32.150	28,882
KRW	436,253	0.027	11,779	1,112,586	0.026	28,927
Investments accounted for by the equity method						
USD	157,206	28.725	4,515,742	131,954	32.150	4,242,321
EUR	22,929	41.630	954,512	18,086	39.320	711,126
JPY	471,686	0.357	168,392	369,264	0.363	134,043
KRW	4,917,115	0.027	132,762	2,409,057	0.026	62,635
SGD	3,805	23.380	88,958	3,143	22.990	72,248
AUD	2,667	30.825	82,209	2,840	27.470	78,018
BRL	1,490	18.450	27,483	686	17.894	12,268
MYD	4,030	9.521	38,372	3,635	9.880	35,913
<u>Financial liabilities</u>						
Monetary items						
USD	62,244	28.725	1,787,959	51,774	32.150	1,664,534
Nonmonetary items						
USD	1,746	28.725	50,154	1,434	32.150	46,091

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can be Provided by the Financier
											Item	Value		
1	AEUH	AEU	Other receivable - related parties	\$ 39,965 (EUR 960 thousand)	\$ 39,965 (EUR 960 thousand)	4%	Short-term financing		Financing need	\$ -	-	-	\$ 1,361,642 (Note B)	\$ 2,723,284 (Note B)
2	ANA	AEU	Other receivable - related parties	28,725 (US\$ 1,000 thousand)	28,725 (US\$ 1,000 thousand)	2%	Short-term financing		Financing need	-			1,361,642 (Note B)	2,723,284 (Note B)
		AKMC	Other receivable - related parties	166,605 (US\$ 5,800 thousand)	166,605 (US\$ 5,800 thousand)	2%	Short-term financing		Financing need	-	-	-	1,361,642 (Note B)	2,723,284 (Note B)
3	AiSC	ACN	Other receivable - related parties	176,719 (RMB 39,576 thousand)	96,839 (RMB 21,687 thousand)	2%	Short-term financing		Financing need	-	-	-	133,959 (Note C)	133,959 (Note C)
4	Netstar Technology Co., Ltd.	LANSONIC (B.V.I.)	Other receivable - related parties	3,676	3,676	-	Short-term financing		Financing need	-			38,100 (Note D)	38,100 (Note D)
5	Broadwin Technology Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	20,000	20,000	2%	Short-term financing		Financing need	-	-	-	29,700 (Note D)	29,700 (Note D)
6	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	12,000	12,000	2%	Short-term financing		Financing need	-			350,739 (Note D)	350,739 (Note D)
		Advantech Co., Ltd. (the "Company")	Other receivable - related parties	200,000	200,000	1.20%	Short-term financing		Financing need	-	-	-	350,739 (Note D)	350,739 (Note D)
		ACA	Other receivable - related parties	20,000	20,000	1.20%	Short-term financing		Financing need	-			350,739 (Note D)	350,739 (Note D)

Notes: A. The exchange rate was EUR1=41.63, US\$1=28.725 and RMB1=4.4653.

B. The maximum amount of financing and the maximum amount of financing to individual counter-party that can be provided by the financier are 20% and 10% of the parent company's net asset value, respectively.

C. For more efficient use of capital among subsidiaries in Mainland China, the maximum amount of financing that can be provided by the financier is RMB30,000 thousand and will be handled over the Citibank account of ACN.

D. 40% of the net asset value of the financier.

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED

SIX MONTHS ENDED JUNE 30, 2011

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	\$ 1,361,642 (Note A)	\$ 304,485 (US\$ 10,600 thousand)	\$ 304,485 (US\$ 10,600 thousand)	\$ -	2.24%	\$ 4,084,926 (Note B)
		Cermate Technologies Inc.	Indirect subsidiary	1,361,642 (Note A)	40,000	40,000	-	0.29%	4,084,926 (Note B)
		Advansus Corp.	Equity-method investee	1,361,642 (Note A)	100,000	100,000	-	0.73%	4,084,926 (Note B)
		Advantech Fund-A	Subsidiary	1,361,642 (Note A)	300,000	300,000	-	2.20%	4,084,926 (Note B)
		ACA	Subsidiary	1,361,642 (Note A)	50,000	50,000	-	0.37%	4,084,926 (Note B)
		AiST	Subsidiary	1,361,642 (Note A)	200,000	200,000	-	1.47%	4,084,926 (Note B)
		AAU	Subsidiary	1,361,642 (Note A)	5,745 (US\$ 200 thousand)	5,745 (US\$ 200 thousand)	-	0.04%	4,084,926 (Note B)

Note: A. 10% of the Company's net asset value.

B. 30% of the Company's net asset value.

C. The exchange rate was US\$1.00 = NT\$28.725.

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars/Foreign Currency)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2011				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd. (the "Company")	<u>Stock</u>								
	AAC (BVI)	Subsidiary	Long-term equity investments	29,623,834	\$ 2,130,481	100.00	\$ 2,134,413	Note A	
	ATC	"	"	38,750,000	2,351,421	100.00	2,358,901	Note A	
	Advansus Corp.	Equity-method investee	"	18,000,000	218,384	50.00	228,346	Note A	
	Advantech Fund-A	Subsidiary	"	90,000,000	873,342	100.00	876,848	Note A	
	Axiomtek	Equity-method investee	"	20,586,984	359,070	26.62	359,070	Note A	
	AEUH	Subsidiary	"	9,572,024	954,512	100.00	954,512	Note A	
	ASG	"	"	1,450,000	88,958	100.00	88,958	Note A	
	AAU	"	"	500,204	82,209	100.00	82,209	Note A	
	AJP	"	"	1,200	168,392	100.00	168,392	Note A	
	AMY	"	"	2,000,000	38,372	100.00	38,372	Note A	
	AHG	"	"	30	9,347	30.00	9,347	Note A	
	AKR	"	"	600,000	132,762	100.00	132,762	Note A	
	ABR	"	"	971,055	27,483	43.28	27,483	-	
	AiST	"	"	5,000,000	81,320	100.00	81,320	-	
	ACA	"	"	30,378,900	95,064	98.59	95,064	Note A	
	AHK	"	"	Other liability - others	999,999	(5,457)	100.00	(5,457)	Notes A and C
	ASUSTek Computer Inc.	-	-	Available for sale financial assets - noncurrent	6,215,460	1,771,406	0.99	1,771,406	Note B
	SGA	-	-	"	1,264,500	11,779	3.22	11,779	Note B
	Chunghwa Telecom Co., Ltd.	-	-	"	1,243,636	122,871	-	122,871	Note B
Pegatron Corp.	-	-	"	18,486,570	549,976	-	549,976	Note B	
Advantech Fund-A	<u>Stock</u>								
	Netstar Technology Co., Ltd.	Subsidiary	Long-term equity investments	21,613,597	187,781	86.45	187,781	Note A	
	BCM Embedded Computer Inc.	"	"	4,500,000	17,517	100.00	17,517	Note A	
	Broadwin Technology Inc.	"	"	6,777,571	149,470	100.00	149,470	Note A	
	Cermate Technologies Inc.	"	"	5,500,000	77,284	55	77,284	Note A	
	Chunghwa Telecom Co., Ltd.	-	-	Available for sale financial assets- current	164,952	16,297	-	16,297	Note B
	AverMedia Information Inc.	-	-	Financial assets carried at cost - noncurrent	770,000	70,331	0.93	70,331	-
COBAN Research and Technologies, Inc.	-	-	"	600,000	33,257	6.85	33,257	-	

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2011				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
ATC	<u>Stock</u> ATC (HK)	Subsidiary	Long-term equity investments	41,650,001	\$ 1,648,983	100.00	\$ 1,648,983	Note A
ATC (HK)	<u>Stock</u> AKMC	Subsidiary	Long-term equity investments	-	1,649,206	100.00	1,649,206	Note A
AAC (BVI)	<u>Stock</u> ANA	Subsidiary	Long-term equity investments	10,952,606	1,126,985	100.00	1,126,985	Note A
	AAC (HK)	"	"	15,230,001	1,003,715	100.00	1,003,715	Note A
ANA	<u>Stock</u> ABR	-	Financial assets carried at cost - noncurrent	375,192	5,524	16.72	5,524	-
AAC (HK)	<u>Stock</u> ACN	Subsidiary	Long-term equity investments	-	572,275	100.00	572,275	Note A
	AiSC	"	"	-	437,382	100.00	437,382	Note A
	AXA	"	"	-	(6,730)	100.00	(6,730)	Notes A and C
ACN	<u>Stock</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	15,209	60.00	15,209	Note A
AEUH	<u>Stock</u> AEU	"	"	8,314,280	94,611	100.00	94,611	Note A
	APL	"	"	6,836	40,986	100.00	40,986	Note A
	DLoG	"	"	1	601,054	100.00	601,054	Note A
AEU	<u>Stock</u> Innocore	"	"	251,111	160,173	100.00	160,173	Note A
Innocore	<u>Stock</u> IGL	"	"	501,000	45,017	100.00	45,017	Note A
ASG	<u>Stock</u> ATH	"	"	51,000	14,850	51.00	15,879	Note A
Netstar Technology Co., Ltd.	<u>Stock</u> Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	570,000	7,390	28.50	7,390	Note A
Broadwin Technology Inc.	<u>Stock</u> Broadwin Technology Inc.	"	Long-term equity investments	5,643,650	14,095	100.00	14,095	Note A
Cermate Technologies Inc.	<u>Stock</u> Land Mark	"	Long-term equity investments	972,284	36,153	100.00	36,153	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2011				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
LandMark	<u>Stock</u>	"	Long-term equity investments					
	Cermate (Shanghai)			-	\$ 21,401	100.00	\$ 21,401	Note A
	Cermate (Shenzhen)		"	-	14,633	90.00	14,633	Note A

Note A: The financial statements used as basis of net asset values were all unaudited, except those of ATC, ACN, AKMC and AiSC.

Note B: Market value was based on the closing price on June 30, 2011.

Note C: The credit balance on investment carrying value is shown as part of other liabilities.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SIX MONTHS ENDED JUNE 30, 2011
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction made by Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Advantech Co., Ltd. (the "Company")	Real estate	2011.01	\$ 1,511,941	Paid in full by contract requirements	Tung Ho Steel Enterprise Corporation	None	-	-	-	\$ -	Real estate appraisal	For the Company's expansion need	None

TABLE 5

ADVANTECH CO., LTD. AND INVESTEES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars/Foreign Currency)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd. (the "Company")	AEU	Indirect subsidiary	Sale	\$ (1,206,787)	12.71	Set for 45 days a month	Contract price	No significant difference from terms for related parties	\$ 875,722	25.72	
	ACN	Indirect subsidiary	Sale	(1,203,369)	12.67	Set for 45 days a month	Contract price	No significant difference from terms for related parties	555,571	16.32	
	AKMC	Indirect subsidiary	Sale	(217,138)	2.29	Set for 30 days after a month	Contract price	No significant difference from terms for related parties	-	-	
	AJP	Subsidiary	Sale	(182,013)	1.92	Set for 45 days a month	Contract price	No significant difference from terms for related parties	30,294	0.89	
	AiSC	Indirect subsidiary	Sale	(905,654)	9.54	Set for 45 days a month	Contract price	No significant difference from terms for related parties	442,297	12.99	
	ANA	Indirect subsidiary	Sale	(2,462,336)	25.92	Set for 45 days a month	Contract price	No significant difference from terms for related parties	371,349	10.91	
	AKR	Subsidiary	Sale	(191,864)	2.02	Set for 45 days a month	Contract price	No significant difference from terms for related parties	50,880	1.49	
	ATC	Subsidiary	Purchase	3,242,778	47.04	Set for 60 days a month	Contract price	No significant difference from terms for related parties	(1,077,103)	54.66	
	Advansus Corp.	Subsidiary	Purchase	657,362	9.54	Set for 30 days a month	Contract price	No significant difference from terms for related parties	(121,195)	6.15	
	AiST	Subsidiary	Purchase	325,744	4.73	Set for 30 days a month	Contract price	No significant difference from terms for related parties	(10,045)	0.51	
ATC	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Sale	(3,242,778)	98.20	Set for 60 days a month	Contract price	No significant difference from terms for related parties	1,077,103	95.16	
Advansus Corp.	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Sale	(657,362)	84.15	Set for 30 days a month	Contract price	No significant difference from terms for related parties	121,195	67.01	
AiST	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Sale	(325,744)	41.70	Set for 30 days a month	Contract price	No significant difference from terms for related parties	10,045	7.59	
ANA	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	2,462,336	85.98	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(371,349)	71.48	
AEU	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	1,206,787	82.53	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(875,722)	95.22	
ACN	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	1,203,369	74.97	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(555,571)	83.37	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AKMC	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	\$ 217,138	6.81	Set for 30 days after a month	Contract price	No significant difference from terms for related parties	\$ -	-	
AJP	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	182,013	91.29	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(30,294)	94.53	
AiSC	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	905,654	69.67	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(442,297)	83.57	
AKR	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	191,864	53.61	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(50,880)	50.67	
ACN	AiSC	Related enterprise	Sale	(130,996)	7.09	Set for 45 days a month	Mark-up pricing	No significant difference from terms for related parties	27,488	3.39	
AKMC	ATC	Related enterprise	Sale	(3,131,392)	(93.16)	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	402,127	81.58	
	AiSC	Related enterprise	Sale	-	-	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
	Netstar Technology Co., Ltd.	Related enterprise	Sale	(143,181)	(4.26)	Set for 60 days after a month	Mark-up pricing	No significant difference from terms for related parties	65,936	13.38	
Advansus Corp.	AKMC	Related enterprise	Sale	(258,630)	(33.11)	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	78,353	43.32	
	AiST	Related enterprise	Sale	(108,680)	(13.91)	About 60 to 90 days	Mark-up pricing	No significant difference from terms for related parties	18,557	10.26	
AiST	AKMC	Related enterprise	Sale	(240,222)	(30.75)	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	55,395	41.84	
	Advansus Corp.	Related enterprise	Sale	(236,735)	(30.30)	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	66,811	50.47	
AiSC	ACN	Related enterprise	Purchase	130,996	10.08	Set for 45 days a month	Mark-up pricing	No significant difference from terms for related parties	(27,488)	5.19	
	AKMC	Related enterprise	Purchase	-	-	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
ATC	AKMC	Related enterprise	Purchase	3,131,392	100.00	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	(402,127)	100.00	
Netstar Technology Co., Ltd.	AKMC	Related enterprise	Purchase	143,181	97.77	Set for 60 days after a month	Mark-up pricing	No significant difference from terms for related parties	(65,936)	75.60	
AKMC	Advansus Corp.	Related enterprise	Purchase	258,630	8.12	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	(78,353)	5.49	
AiST	Advansus Corp.	Related enterprise	Purchase	108,680	14.21	About 60 to 90 days	Mark-up pricing	No significant difference from terms for related parties	(18,557)	12.14	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AKMC	AiST	Related enterprise	Purchase	\$ 240,222	7.54	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	\$ (55,395)	3.88	
Advansus Corp.	AiST	Related enterprise	Purchase	236,735	32.93	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	(66,811)	22.54	

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd. (the "Company")	AEU	Indirect subsidiary	\$ 875,722	3.13	\$ -	-	\$ 164,278	\$ -
	AiSC	Indirect subsidiary	442,297	5.41	-	-	174,341	-
	ACN	Indirect subsidiary	555,571	5.50	-	-	230,721	-
	ANA	Indirect subsidiary	371,349	10.86	-	-	371,349	-
ATC	Advantech Co., Ltd. (the "Company")	Parent company	1,077,103	6.29	-	-	680,475	-
Advansus Corp.	Advantech Co., Ltd. (the "Company")	Parent company	121,195	10.13	-	-	116,394	-
AKMC	ATC	Parent company	402,127	19.92	-	-	402,127	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2011	December 31, 2010	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd. (the "Company")	AAC (BVI)	BVI	Investment holding company	\$ 993,108	\$ 1,078,934	29,623,834	100.00	\$ 2,130,481	\$ 217,256	\$ 215,356	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	2,351,421	(27,131)	(27,099)	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	180,000	18,000,000	50.00	218,384	33,048	13,318	Equity-method investee
	AEUH	Helmond, The Netherlands	Investment holding company	1,146,489	1,146,489	9,572,024	100.00	954,512	56,900	56,900	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment and management service	900,000	900,000	90,000,000	100.00	873,342	13,519	13,485	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	261,681	20,586,984	26.62	359,070	76,384	20,765	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	88,958	6,457	6,457	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	82,209	7,485	7,485	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	168,392	14,703	14,703	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	-	5,927	-	-	-	-	-	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	38,372	3,238	3,238	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	9,347	-	152	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	132,762	31,365	31,365	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	27,483	11,479	6,887	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	81,320	31,133	31,133	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(5,457)	181	181	Subsidiary (Note A)
ACA	Taipei, Taiwan	Production and sale of portable industrial computing products	91,650	-	30,378,900	98.59	95,064	3,462	3,414	Subsidiary	
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	264,081	245,068	21,613,597	86.45	187,781	(13,150)	(11,139)	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	4,500,000	100.00	17,517	1,120	1,120	Indirect subsidiary
	Broadwin Technology Inc. Cermate Technologies Inc.	Taipei, Taiwan Taipei, Taiwan	Assembly and production of computers Production and sale of electrical equipment, telecommunications equipment and electronic parts manufacturing	172,063 71,500	172,063 71,500	6,777,571 5,500,000	100.00 55.00	149,470 77,284	3,779 6,466	3,779 3,556	Indirect subsidiary Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,212,730	1,212,730	41,650,001	100.00	1,648,983	32,846	32,846	Indirect subsidiary
ATC (HK)	AKMC	Jiangsu, China	Production and sale of industrial automation products	1,212,730	1,212,730	-	100.00	1,649,206	32,846	32,846	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,126,985	86,049	86,049	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	1,003,715	131,257	131,257	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale and fabrication of industrial automation products	185,356	185,356	-	100.00	572,275	63,340	63,340	Indirect subsidiary
	SHHQ	Shanghai, China	Sale and fabrication of industrial automation products	-	96,750	-	-	-	10	10	Indirect subsidiary
	AiSC	Shanghai, China	Sale and fabrication of industrial automation products	257,040	257,040	-	100.00	437,382	82,787	82,787	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	(6,730)	(14,880)	(14,880)	Indirect subsidiary (Note A)
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	13,727	13,727	-	60.00	15,209	1,015	609	Equity-method investee
AEUH	AEU	Eindhoven, The Netherlands	Sale and fabrication of industrial automation products	256,473	256,473	8,314,280	100.00	94,611	14,541	14,541	Indirect subsidiary
	APL	Warsaw, Poland	Sale and fabrication of industrial automation products	14,176	10,285	6,836	100.00	40,986	1,744	1,645	Indirect subsidiary
	DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	601,054	52,499	37,972	Indirect subsidiary
AEU	Innocore	England	Design, R&D and sale of gaming computing products	166,023	166,023	251,111	100.00	160,173	10,539	3,761	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2011	December 31, 2010	Shares	Percentage of Ownership	Carrying Value			
Innocore	IGL	England	Design, R&D and sale of gaming computing products	\$ 33,914	\$ 33,914	501,000	100.00	\$ 45,017	\$ 10,540	\$ 10,540	
ASG	ATH	Thailand	Production of computers	7,537	7,537	51,000	51.00	14,850	3,158	1,611	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	570,000	28.50	7,390	4,560	1,300	Indirect subsidiary
	LANSONIC (B.V.I.)	BVI	General investment	-	101,188	-	-	-	3,287	3,117	Indirect subsidiary
Broadwin Technology Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of Webaccess software	69,492	69,492	5,643,650	100.00	14,095	(167)	(167)	Indirect subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	36,153	4,715	4,715	Indirect subsidiary
LandMark	Cermate (Shanghai)	Shanghai, China	Sale of industrial electronic products	US\$ 572	US\$ 572	-	100.00	21,401	1,716	1,716	Indirect subsidiary
	Cermate (Shenzhen)	Shenzhen, China	Manufacture of LCD touch panel, USB data cable and industrial automation products	US\$ 308	US\$ 308	-	90.00	14,633	3,332	2,999	Indirect subsidiary

Note A: The carrying value is shown as part of other liabilities.

Note B: The financial statements used as basis of net asset values were all unaudited, except those of ATC, ACN, AKMC and AiSC.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2011

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2011	Accumulated Inward Remittance of Earnings as of June 30, 2011
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$41,650 thousand	Indirect	\$ 1,071,443 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,071,443 (US\$ 37,300 thousand)	100%	\$ 32,846	\$ 1,649,206	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	86,175 (US\$ 3,000 thousand)	-	86,175 (US\$ 3,000 thousand)	-	100%	-	-	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	153,162 (US\$ 5,332 thousand)	-	-	153,162 (US\$ 5,332 thousand)	100%	63,340	572,275	322,725 (US\$ 11,235 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	229,800 (US\$ 8,000 thousand)	-	-	229,800 (US\$ 8,000 thousand)	100%	82,787	437,382	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(14,880)	(6,730)	-

Accumulated Investment in Mainland China as of June 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA	Maximum Allowable Limit on Investment
\$1,460,149 (US\$50,832 thousand) (Note D)	\$2,527,800 (US\$88,000 thousand)	\$8,225,275 (Note F)

Note A: Only the financial statements of AKMC, ACN and AiSC used as basis of net asset values had been audited by independent CPAs; the other investees' financial statements were unaudited.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Note 19 to the financial statements and Tables 1, 2, 5 and 6.

Note C: Remittance by Advantech Automation Corp. (H.K.) Limited.

Note D: Included the outflow on investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ) of US\$200 thousand. This company had liquidated already, after the capitals of the original investment is inflow back, the Company will submit this incident to MOEA for approving and terminating this case under the regulation.

Note E: The exchange rate was US\$1.00=NT\$28.725.

Note F: The maximum allowable limit on investment was based on 60% of the consolidated net asset value of Advantech Co., Ltd. (the "Company").