

Advantech Co., Ltd.

**Financial Statements for the
Six Months Ended June 30, 2012 and 2011 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. (the "Company") as of June 30, 2012 and 2011, 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, 2012 and 2011, some of these investments had carrying values of NT\$4,868,815 thousand and NT\$4,250,039 thousand, respectively. As of June 30, 2011, the credit balance on the carrying value of the equity-method investments was NT\$5,457 thousand. These investment amounts and the net investment gains of NT\$255,085 thousand and NT\$278,712 thousand in the six months ended June 30, 2012 and 2011, respectively, as well as additional disclosures in Note 20 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, 2012 and 2011, 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 also reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries as of and for the six months ended June 30, 2012 and 2011 and have issued a qualified accountants' review report thereon dated August 31, 2012 (not presented herewith) with an explanatory paragraph.

August 31, 2012

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, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		LIABILITIES AND SHAREHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 1,829,821	8	\$ 916,708	5	Short-term loans (Note 10)	\$ -	-	\$ 86,175	-
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 19)	9,704	-	28,042	-	Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 19)	\$ 10,063	-	50,128	-
Notes receivable (Note 2)	49,125	-	64,394	-	Accounts payable	699,005	3	723,214	3
Accounts receivable, net of allowance for doubtful accounts of \$4,234 thousand in 2012 and \$18,677 thousand in 2011 (Note 2)	1,181,917	5	892,986	5	Accounts payable - related parties (Note 17)	2,295,178	10	1,247,170	6
Accounts receivable - related parties, net (Notes 2 and 17)	2,849,077	12	2,446,920	12	Income tax payable (Notes 2 and 14)	352,480	1	341,863	2
Other receivable	100,795	1	71,834	-	Accrued expenses (Note 13)	1,108,053	5	950,735	5
Other receivable - related parties (Note 17)	21,688	-	27,041	-	Dividend payable (Note 13)	2,764,981	12	1,755,718	9
Restricted assets	93,150	-	-	-	Advance receipts and other current liabilities	98,675	-	146,333	1
Inventories, net (Notes 2 and 7)	1,594,740	7	1,854,079	9					
Deferred income tax assets - current (Notes 2 and 14)	25,803	-	32,644	-	Total current liabilities	7,328,435	31	5,301,336	26
Prepayments and other current assets	15,679	-	25,750	-	LONG-TERM LIABILITIES				
Available-for-sale financial assets - current (Notes 2, 6 and 19)	1,004,242	4	-	-	Convertible bonds payable (Notes 2, 11 and 19)	550,418	2	752,277	3
Total current assets	8,775,741	37	6,360,398	31	OTHER LIABILITIES				
LONG-TERM FUNDS AND INVESTMENTS					Accrued pension liabilities (Notes 2 and 12)	101,661	-	104,204	1
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 19)	2,167,147	9	2,456,032	12	Guarantee deposits received	-	-	6,300	-
Investments accounted for by the equity method (Notes 2 and 8)	8,993,415	38	7,611,117	37	Deferred income tax liabilities - noncurrent (Notes 2 and 14)	468,782	2	401,906	2
Total long-term funds and investments	11,160,562	47	10,067,149	49	Deferred credits (Note 2)	254,271	1	274,009	1
					Others (Notes 2 and 8)	-	-	5,457	-
PROPERTIES (Notes 2 and 9)					Total other liabilities	824,714	3	791,876	4
Cost					Total liabilities	8,703,567	36	6,845,489	33
Land	2,596,325	11	2,613,941	13	SHAREHOLDERS' EQUITY				
Buildings	1,210,305	5	1,216,733	6	Capital stock, NT\$10.00 par value				
Machinery and equipment	575,207	2	522,074	2	Authorized - 600,000 thousand shares				
Furniture and fixtures	149,425	1	124,539	1	Issued and outstanding - 557,004 thousand shares in 2012 and 501,634 thousand shares in 2011	5,570,043	23	5,016,337	25
Other equipment	306,265	1	265,053	1	For issuance	-	-	501,634	2
Total cost	4,837,527	20	4,742,340	23	Total capital stock	5,570,043	23	5,517,971	27
Less: Accumulated depreciation	960,808	4	820,523	4	Capital surplus				
Construction in progress and prepayment for equipment	3,876,719	16	3,921,817	19	Additional paid-in capital from share issuance in excess of par value	4,097,469	17	3,751,469	19
Properties, net	3,894,166	16	3,946,572	19	From long-term equity investments	56,397	-	61,184	-
OTHER ASSETS					From stock options	178,205	1	167,173	1
Refundable deposits	5,186	-	6,686	-	Total capital surplus	4,332,071	18	3,979,826	20
Deferred expenses, net (Note 2)	100,662	-	81,105	1	Retained earnings				
Total other assets	105,848	-	87,791	1	Legal reserve	2,715,185	12	2,359,911	12
					Special reserve	545,303	2	621,662	3
					Unappropriated earnings	2,233,478	9	1,882,255	9
					Total retained earnings	5,493,966	23	4,863,828	24
					Others				
					Cumulative translation adjustments	(26,359)	-	(167,138)	(1)
					Net loss not recognized as pension cost	(2,121)	-	(2,121)	-
					Unrealized loss on financial instruments	(134,850)	-	(575,945)	(3)
					Total other equity	(163,330)	-	(745,204)	(4)
					Total shareholders' equity	15,232,750	64	13,616,421	67
TOTAL	\$ 23,936,317	100	\$ 20,461,910	100	TOTAL	\$ 23,936,317	100	\$ 20,461,910	100

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

(With Deloitte & Touche audit report dated August 31, 2012)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 17)				
Sales	\$ 9,490,470	99	\$ 9,411,643	99
Sales returns and allowances	<u>36,185</u>	<u>-</u>	<u>38,028</u>	<u>-</u>
Net sales	9,454,285	99	9,373,615	99
Other operating revenues	<u>135,999</u>	<u>1</u>	<u>124,360</u>	<u>1</u>
Total operating revenues	9,590,284	100	9,497,975	100
OPERATING COSTS (Notes 7, 15 and 17)	<u>7,236,808</u>	<u>75</u>	<u>6,824,623</u>	<u>72</u>
GROSS PROFIT	2,353,476	25	2,673,352	28
UNREALIZED INTERCOMPANY GAINS (Note 2)	(189,882)	(2)	(209,620)	(2)
REALIZED INTERCOMPANY GAINS (Note 2)	<u>200,167</u>	<u>2</u>	<u>185,219</u>	<u>2</u>
ADJUSTED GROSS PROFIT	<u>2,363,761</u>	<u>25</u>	<u>2,648,951</u>	<u>28</u>
OPERATING EXPENSES (Notes 15 and 17)				
Marketing	192,405	2	232,718	3
Administrative	276,424	3	220,469	2
Research and development	<u>843,728</u>	<u>9</u>	<u>769,334</u>	<u>8</u>
Total operating expenses	<u>1,312,557</u>	<u>14</u>	<u>1,222,521</u>	<u>13</u>
OPERATING INCOME	<u>1,051,204</u>	<u>11</u>	<u>1,426,430</u>	<u>15</u>
NONOPERATING INCOME AND GAINS				
Interest	1,508	-	538	-
Investment income recognized under the equity method, net (Notes 2 and 8)	650,402	7	397,740	4
Gain on disposal of properties, net	34,505	-	1	-
Gain on disposal of investments, net	28,969	-	1,277	-
Foreign exchange gain, net (Note 2)	-	-	53,756	-
Royalty revenue (Note 17)	113,570	1	163,543	2
Rental revenue (Note 17)	9,078	-	16,880	-
Valuation gain on financial instruments, net (Notes 2 and 5)	68,761	1	70,429	1
Other income (Notes 6 and 17)	<u>83,190</u>	<u>1</u>	<u>63,565</u>	<u>1</u>
Total nonoperating income and gains	<u>989,983</u>	<u>10</u>	<u>767,729</u>	<u>8</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 17)	\$ 8,140	-	\$ 4,164	-
Foreign exchange loss, net (Note 2)	59,776	1	-	-
Valuation loss on financial instruments, net (Notes 2 and 5)	28,848	-	51,310	-
Other expenses	84	-	47	-
Total nonoperating expenses and losses	96,848	1	55,521	-
INCOME BEFORE INCOME TAX	1,944,339	20	2,138,638	23
INCOME TAX (Notes 2 and 14)	228,326	2	265,006	3
NET INCOME	\$ 1,716,013	18	\$ 1,873,632	20
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 16)				
Basic	\$ 3.51	\$ 3.10	\$ 3.88	\$ 3.40
Diluted	\$ 3.46	\$ 3.06	\$ 3.87	\$ 3.39

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

(With Deloitte & Touche audit report dated August 31, 2012)

(Concluded)

ADVANTECH CO., LTD.
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	Capital Stock - Issued and Outstanding (Notes 11 and 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 19)	Total Shareholders' Equity
	Shares (Thousands)	Amount	Advance Receipts for Common Stock		Additional Paid-in Capital in Excess of Par Value	From Long-term Equity Investments	From Employee Stock Option	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE, JANUARY 1, 2012	551,797	\$ 5,517,971	\$ 11,990	\$ -	\$ 3,751,469	\$ 59,191	\$ 256,210	\$ 4,066,870	\$ 2,359,911	\$ 621,662	\$ 3,561,361	\$ 6,542,934	\$ 105,408	\$ (2,121)	\$ (648,592)	\$ 15,594,460
Appropriation of the 2011 earnings	-	-	-	-	-	-	-	-	355,274	-	(355,274)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	(2,764,981)	(2,764,981)	-	-	-	(2,764,981)
Cash dividends - NT\$5.00 per share	-	-	-	-	-	-	-	-	-	(76,359)	76,359	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2012	-	-	-	-	-	-	-	-	-	-	1,716,013	1,716,013	-	-	-	1,716,013
Employee stock options	2,451	24,510	(11,990)	-	142,820	-	(91,475)	51,345	-	-	-	-	-	-	-	63,865
Conversion of convertible bonds	2,756	27,562	-	-	203,180	-	(12,688)	190,492	-	-	-	-	-	-	-	218,054
Compensation cost recognized for employee stock options	-	-	-	-	-	-	26,158	26,158	-	-	-	-	-	-	-	26,158
Change in unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	517,047	517,047
Equity in the changes in unrealized loss on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,305)	(3,305)
Company's proportional recognition of the changes in investees' equity in their investments	-	-	-	-	-	(2,794)	-	(2,794)	-	-	-	-	-	-	-	(2,794)
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	(131,767)	-	-	(131,767)
BALANCE, JUNE 30, 2012	557,004	\$ 5,570,043	\$ -	\$ -	\$ 4,097,469	\$ 56,397	\$ 178,205	\$ 4,332,071	\$ 2,715,185	\$ 545,303	\$ 2,233,478	\$ 5,493,966	\$ (26,359)	\$ (2,121)	\$ (134,850)	\$ 15,232,750
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	-	-	-	-	-	-	-	-	257,319	-	(257,319)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	(551,526)	(551,526)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	551,526	(551,526)	-	-	-	-	-
Cash dividends - NT\$3.50 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 cost recognized for employee stock options	-	-	-	-	-	-	42,608	42,608	-	-	-	-	-	-	-	42,608
Company's proportional recognition of the changes in investees' equity in their investments	-	-	-	-	-	1,286	-	1,286	-	-	-	-	-	-	-	1,286
Changes in unrealized valuation 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

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

(With Deloitte & Touche audit report dated August 31, 2012)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,716,013	\$ 1,873,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117,701	109,460
Amortization of discount on convertible bonds	8,142	1,334
Allowance for doubtful accounts	-	14,395
Allowance for loss on inventories	26,877	4,731
Loss on disposal of scrap inventories	19,859	30,043
Gain on disposal of long-term equity investments, net	-	(12,740)
Loss (gain) on sale of available-for-sale financial assets, net	(28,969)	11,463
Gain on disposal of properties, net	(34,505)	(1)
Investment income recognized under the equity method, net	(650,402)	(397,740)
Cash dividends received from equity-method investees	56,920	123,326
Compensation cost of employee stock options	26,158	42,608
Accrued pension liabilities	(1,017)	(6)
Deferred income taxes	24,075	41,010
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	4,047	33,765
Notes receivable	41,830	(20,385)
Accounts receivable	(410,025)	(197,731)
Accounts receivable - related parties	(454,677)	(494,863)
Inventories	(33,398)	(573,933)
Other receivables	(54,443)	(23,273)
Other receivable - related parties	40,449	11,675
Prepayments and other current assets	(4,106)	(11,659)
Accounts payable	123,705	209,829
Accounts payable - related parties	881,836	63,354
Income tax payable	21,262	(23,193)
Accrued expenses	14,285	41,808
Advance receipts and other current liabilities	(4,945)	62,295
Deferred credits	(10,285)	24,401
Net cash provided by operating activities	<u>1,436,387</u>	<u>943,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,301,300)	-
Proceeds of capital return of available-for-sale financial assets	-	3,109
Proceeds of disposal of equity-method investments	1,350,838	33,267
Acquisition of investments accounted for by equity method	(306,000)	(91,650)
Proceeds of the sale of equity-method investments	-	25,361
Proceeds of the liquidation of equity-method investments	-	20,622
Acquisition of properties	(70,976)	(1,648,736)
Proceeds of the disposal of properties	57,648	137
Increase of restricted assets	(93,150)	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Increase in deferred expenses	\$ (60,297)	\$ (14,502)
Decrease in refundable deposits	<u>601</u>	<u>339</u>
Net cash used in investing activities	<u>(422,636)</u>	<u>(1,672,053)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	6,300
Increase in short-term loans	-	86,175
Issuance of convertible bonds	-	800,000
Employee stock options	<u>63,865</u>	<u>-</u>
Net cash provided by financing activities	<u>63,865</u>	<u>892,475</u>
NET INCREASE IN CASH	1,077,616	164,027
CASH, BEGINNING OF PERIOD	<u>752,205</u>	<u>752,681</u>
CASH, END OF PERIOD	<u>\$ 1,829,821</u>	<u>\$ 916,708</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Income tax paid	<u>\$ 182,989</u>	<u>\$ 247,189</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	<u>\$ 218,054</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated August 31, 2012)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(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 Advantech 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 the assets and liabilities of AIMS.

As of June 30, 2012 and 2011, the Company had 1,872 and 1,655 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, accrued product warranty reserve, bonuses paid to employees and remunerations to directors and supervisors, income tax, etc. Actual results could differ from these estimates.

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

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

Current and Noncurrent Assets and Liabilities

Current assets include cash and 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 measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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 on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: publicly traded stocks - at closing prices; and open-end mutual funds - at net asset values.

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 cost necessary to made the sale. Inventories are recorded at standard cost and adjusted to approximate weighted cost on the balance sheet date.

Investments Accounted for by the Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' 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 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.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company. 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.

Profits derived from sales of products by the Company to its subsidiaries are wholly 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 majority-owned equity-method investees are deferred to the extent of the Company's equity interests in the investees whose transaction has resulted in gain or loss. 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 derecognized from the balance sheet, 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 two to eight years using the straight-line method.

Impairment of Assets

If the recoverable amount of an asset (mainly properties, deferred expenses and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

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 on which the Company has significant influence but over which it has 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

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 bond 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 a 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.

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

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.

An additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Foreign Currencies

Nonderivative foreign currency transactions are recorded in New Taiwan dollars at the 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 the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates, and the exchange differences are recognized in profit or loss.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

Reclassifications

Certain accounts in the financial statements as of and for the six months ended June 30, 2011 have been reclassified to be consistent with the presentation of the financial statements as of and for the six months ended June 30, 2012.

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, 2012.

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."

4. CASH

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 1,420	\$ 1,544
Checking and demand deposits	618,401	394,164
Time deposits: Interest - 0.4%-0.885% in 2012 and 0.41%-0.60% in 2011	<u>1,210,000</u>	<u>521,000</u>
	<u>\$ 1,829,821</u>	<u>\$ 916,708</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 9,704</u>	<u>\$ 28,042</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 10,063</u>	<u>\$ 50,128</u>

As of June 30, 2012 and 2011, the outstanding forward exchange contracts were as follows:

	Currency	Maturity	Amount (Thousands)
<u>June 30, 2012</u>			
Sell	EUR/NTD	From July 2012 to August 2012	EUR3,000/NTD116,920
Sell	EUR/USD	From July 2012 to August 2012	EUR3,500/USD4,552
Sell	USD/NTD	From July 2012 to October 2012	USD28,552/NTD843,578
Sell	JPY/NTD	From July 2012 to October 2012	JPY130,000/NTD48,424
Sell	JPY/USD	From August 2012 to October 2012	JPY70,000/USD883
<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

The Company entered into forward contract transactions in the six months ended June 30, 2012 and 2011 to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of market and liquidity risks.

Net gains on financial assets or liabilities held for trading for the six months ended June 30, 2012 and 2011 were \$39,913 thousand and \$19,119, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30			
	2012		2011	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	\$ 1,004,242	\$ -	\$ -	\$ -
Quoted domestic stocks				
ASUSTEK Computer Inc.	-	1,666,864	-	1,771,406
Pegatron Corp.	-	383,382	-	549,976
Chunghwa Telecom Co., Ltd.	-	116,901	-	122,871
Quoted overseas stocks				
SG Advantech Co., Ltd.	-	-	-	11,779
	<u>\$ 1,004,242</u>	<u>\$ 2,167,147</u>	<u>\$ -</u>	<u>\$ 2,456,032</u>

For its securities borrowing and lending transactions, the Company put some of the quoted domestic stock recorded under available-for-sale assets - noncurrent into a trust at China Trust Commercial Bank. As of June 30, 2012, the stock held in trust amounted to \$1,948,602 thousand. Please refer to Table 3 for detailed information. On the transactions, the Company recognized a gain of \$2,910 thousand, recorded under other nonoperating income as of June 30, 2012.

7. INVENTORIES, NET

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Finished goods	\$ 485,767	\$ 618,811
Work in process	305,289	354,664
Materials and supplies	785,597	863,830
Inventories in transit	<u>18,087</u>	<u>16,774</u>
	<u>\$ 1,594,740</u>	<u>\$ 1,854,079</u>

As of June 30, 2012 and 2011, the allowances for loss were \$143,960 thousand and \$127,549 thousand, respectively.

As of June 30, 2012 and 2011, the costs of goods sold related to inventories were \$7,236,808 thousand and \$6,892,951 thousand, respectively, which included allowances for loss of \$26,877 thousand and inventory scraps for loss of \$19,859 thousand for the six months ended June 30, 2012, and allowance for loss of \$4,731 thousand and inventory scraps for loss of \$30,043 thousand for the six months ended June 30, 2011.

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>June 30</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 313,177	26.55	\$ 359,070	26.62
<u>Unlisted</u>				
Advantech Technology Co., Ltd.	2,963,046	100.00	2,351,421	100.00
Advantech Automation Corp. (BVI)	2,478,378	100.00	2,130,481	100.00
Advantech Europe Holding B.V.	906,043	100.00	954,512	100.00
Advantech Investment Fund-A Co., Ltd.	882,338	100.00	873,342	100.00
Advansus Corp.	568,951	100.00	218,384	50.00
ACA Digital Corporation	259,682	99.36	95,064	98.59
Advantech Japan Co., Ltd.	192,433	100.00	168,392	100.00
Advantech KR Co., Ltd.	121,811	100.00	132,762	100.00
Advantech Co. Singapore Pte, Ltd.	111,719	100.00	88,958	100.00
Advantech Australia Pty Ltd.	75,826	100.00	82,209	100.00
Advantech Intelligence Service	52,497	100.00	81,320	100.00
Advantech Co., Malaysia Sdn. Bhd	40,672	100.00	38,372	100.00
Advantech Brazil	26,636	43.28	27,483	43.28
Advantech Hungary Ltd.	-	-	9,347	30.00
Advantech (H.K.) Technology Co., Ltd.	<u>206</u>	100.00	<u>-</u>	100.00
	<u>\$ 8,993,415</u>		<u>\$ 7,611,117</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 unreviewed, except those of Advantech Technologies Co., Ltd. and 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, 2012 and 2011.

In 2011, the Company acquired ACA Digital Corporation for \$141,562 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.

In January 2012, the Company acquired 50% of Advansus Corp. from Pegatron Corp. for \$306,000 thousand to facilitate the Company's business expansion and improve its economic returns. After this acquisition, the Company obtained 100% equity in Advansus Corp.

Movements of the aforementioned difference allocated to goodwill for the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30	
	2012	2011
Cost		
Balance, beginning of period	\$ 162,003	\$ 93,108
Amount recognized on acquisition of investments	62,931	68,970
Amount recognized on disposal of investments	-	(333)
Translation adjustment	<u>(4,168)</u>	<u>4,983</u>
Balance, end of period	<u>\$ 220,766</u>	<u>\$ 166,728</u>

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the six months ended June 30, 2011. 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, there were credit balances on the carrying value of \$5,457 thousand, 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, 2012 and 2011 were \$418,975 thousand and \$638,197 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, 2012 and 2011.

9. PROPERTIES

The changes in properties were as follows:

	Six Months Ended June 30, 2012				
	Beginning Balance	Acquisition	Disposal	Reclassifi- cation	Ending Balance
Properties					
Cost					
Land	\$ 2,613,941	\$ -	\$ 17,616	\$ -	\$ 2,596,325
Buildings	1,216,732	-	6,427	-	1,210,305
Machinery and equipment	543,819	6,226	8,411	33,573	575,207
Furniture and fixtures	144,116	7,357	2,048	-	149,425
Other equipment	<u>281,299</u>	<u>23,081</u>	<u>2,464</u>	<u>4,349</u>	<u>306,265</u>
	<u>4,799,907</u>	<u>\$ 36,664</u>	<u>\$ 36,966</u>	<u>\$ 37,922</u>	<u>4,837,527</u>
Accumulated depreciation					
Buildings	222,154	15,695	935	-	236,914
Machinery and equipment	395,271	35,078	8,411	-	421,938
Furniture and fixtures	91,803	10,321	2,047	-	100,077
Other equipment	<u>183,695</u>	<u>20,614</u>	<u>2,430</u>	<u>-</u>	<u>201,879</u>
	<u>892,923</u>	<u>\$ 81,708</u>	<u>\$ 13,823</u>	<u>\$ -</u>	<u>960,808</u>
	3,906,984				3,876,719
Prepayments for equipment	<u>23,118</u>	<u>\$ 34,312</u>	<u>\$ -</u>	<u>\$ (39,983)</u>	<u>17,447</u>
	<u>\$ 3,930,102</u>				<u>\$ 3,894,166</u>

	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>
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>

10. SHORT-TERM LOANS

	June 30	
	2012	2011
Credit loans - interest rate: 0.89%-0.91%	\$ -	\$ 86,175

As of June 30, 2012, unused short-term credit lines amounted to \$2,892,200 thousand.

11. BONDS PAYABLE

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Unsecured domestic convertible bonds	\$ 573,000	\$ 800,000
Deduct: Unamortized discount on bonds payable	<u>(22,582)</u>	<u>(47,723)</u>
	<u>\$ 550,418</u>	<u>\$ 752,277</u>

On May 26, 2011, the Company issued three-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%. Bondholders may convert the bonds into the Company's common shares at an agreed-upon conversion price between May 27, 2012 and May 16, 2014. If the bonds are not converted, the Company should redeem the bonds at their face value upon maturity. Under Statement of Financial Accounting Standard (SFAS) No. 36 - "Financial Instruments: Disclosure and Presentation," the Company has bifurcated the bonds into their liability and equity components. The bonds had been recorded as stock options from capital surplus amounting to \$44,716 thousand and bonds payable amounting to \$750,943 thousand. As of June 30, 2012, bondholders had converted 2,756 thousand bonds into the Company's common shares amounting to NT\$227,000 thousand at the conversion price of NT\$82.36 per share.

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 \$37,954 thousand and \$32,331 thousand for the six months ended June 30, 2012 and 2011, 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 accumulate up to 45 basis points, and the benefits will be based on an employee's average monthly salary or wage for the six-month before 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 \$4,160 thousand and \$3,714 thousand for the six months ended June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, the balances of the pension fund were \$113,590 thousand and \$113,837 thousand, respectively.

13. SHAREHOLDERS' EQUITY

Capital Surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

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.

For the six months ended June 30, 2012 and 2011, the bonus to employees and remunerations to directors and supervisors of \$36,000 thousand and \$25,000 thousand 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 cumulative transaction adjustments, net loss not recognized as pension cost and unrealized gain or loss on financial instruments) 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.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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 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 appropriation of earnings for 2011 and 2010 were approved in the shareholders' meeting held on June 13, 2012 and May 25, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2011	2010	2011	2010
Legal reserve	\$ 355,274	\$ 257,319		
Special reserve (reversal)	(76,359)	551,526		
Cash dividends	2,764,981	1,755,718	\$5.0	\$3.5

The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010, which were approved in the shareholders' meeting on June 13, 2012 and May 25, 2011, respectively, were as follows:

	Cash	
	Three Months Ended March 31	
	2011	2010
Bonus to employees	\$ 60,000	\$ 20,000
Remuneration to directors and supervisors	12,000	10,000

There was no significant difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and 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 50,163 thousand common shares from capital surplus, which amounted to \$501,634 thousand. This issuance was approved by the Financial Supervisory Commission. 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 3,000 stock options 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 five 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			
	2012		2011	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of period	11,801	\$60.35	13,000	\$60.35
Options granted	-	-	-	-
Options exercised	<u>1,252</u>	51.01	<u>-</u>	-
Balance, end of period	<u>10,549</u>		<u>13,000</u>	
Options exercisable, end of period	<u>10,549</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)		\$16.45-\$20.25		\$16.45-\$20.25

Information on outstanding options as of June 30, 2012 and 2011 is as follows:

	June 30			
	2012		2011	
	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	\$59.03	3.03	\$67.40	4.03
Issuance in 2009	51.01	2.42	58.24	3.42

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 for the six months ended June 30, 2012 and 2011 were \$26,158 thousand and \$42,608 thousand, respectively.

14. INCOME TAX

- a. Reconciliation of income tax expense and current income tax payable based on income before income tax at the 17% statutory income tax rate were as follows:

	Six Months Ended June 30	
	2012	2011
Tax on pretax income at statutory rate	\$ 330,538	\$ 363,568
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(26,179)	(20,954)
Other	(24,634)	(14,622)
Temporary differences	(71,429)	(19,980)
Additional 10% income tax on unappropriated earnings	51,747	862
Investment tax credit	<u>(55,792)</u>	<u>(84,878)</u>
Income tax currently payable	<u>\$ 204,251</u>	<u>\$ 223,996</u>

- b. Income tax expense consisted of the following:

	Six Months Ended June 30	
	2012	2011
Income tax currently payable	\$ 204,251	\$ 223,996
Deferred income tax expense		
Temporary differences	<u>24,075</u>	<u>41,010</u>
	<u>\$ 228,326</u>	<u>\$ 265,006</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 till December 31, 2019.
- 2) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced 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	
	2012	2011
Balance, beginning of period	\$ 331,218	\$ 365,056
Income tax currently payable	204,251	223,996
Payment	<u>(182,989)</u>	<u>(247,189)</u>
Balance, end of period	<u>\$ 352,480</u>	<u>\$ 341,863</u>

d. Net deferred income taxes as of June 30, 2012 and 2011 were as follows:

	June 30	
	2012	2011
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 24,473	\$ 21,683
Unrealized product warranty reserve	2,231	6,129
Unrealized foreign exchange loss	<u>-</u>	<u>4,832</u>
	26,704	32,644
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>901</u>	<u>-</u>
Deferred income tax assets, net	<u>\$ 25,803</u>	<u>\$ 32,644</u>
Noncurrent		
Deferred income tax assets		
Deferred income	\$ 32,280	\$ 35,635
Accumulated equity in the net loss of foreign investees	28,817	35,688
Pension cost	17,291	17,724
Translation adjustment	<u>5,399</u>	<u>-</u>
	83,787	89,047
Valuation allowance	<u>(28,817)</u>	<u>(35,688)</u>
	54,970	53,359
Deferred income tax liabilities		
Accumulated equity in the net gain of foreign investees	<u>(523,752)</u>	<u>(455,265)</u>
Deferred income tax liabilities, net	<u>\$ (468,782)</u>	<u>\$ (401,906)</u>

The income tax rate used to recognize deferred income tax was 17%.

e. As of June 30, 2012, the status of the Company's five-year exemption from income tax status was as follows:

Investment Plan	Exemption Period
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:

	June 30	
	2012	2011
Balance of the imputation credit account (ICA)	<u>\$ 415,467</u>	<u>\$ 254,454</u>

The expected and actual creditable tax ratios for the earnings of 2011 and 2010, were 11.43% and 9.89%, respectively. The ratio for the imputation credit allocated to the shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. Thus, the expected creditable ratio may be adjusted, depending on the ICA balance on the date of dividend distribution.

g. Income tax returns through 2007 had been examined and cleared by the tax authorities.

15. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	Six Months Ended June 30					
	2012			2011		
	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	\$ 158,187	\$ 788,176	\$ 946,363	\$ 148,426	\$ 723,234	\$ 871,660
Insurance	14,589	47,266	61,855	15,049	39,599	54,648
Pension	9,485	32,629	42,114	8,670	27,375	36,045
Others	<u>16,457</u>	<u>36,103</u>	<u>52,560</u>	<u>14,563</u>	<u>29,239</u>	<u>43,802</u>
	<u>\$ 198,718</u>	<u>\$ 904,174</u>	<u>\$ 1,102,892</u>	<u>\$ 186,708</u>	<u>\$ 819,447</u>	<u>\$ 1,006,135</u>
Depreciation	\$ 15,574	\$ 66,134	\$ 81,708	\$ 15,227	\$ 62,654	\$ 77,881
Amortization	47	35,946	35,993	4,940	26,639	31,579

16. 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, 2012</u>					
Basic EPS	\$ 1,944,339	\$ 1,716,013	553,626	<u>\$ 3.51</u>	<u>\$ 3.10</u>
Effect of dilutive potential common stock					
Convertible bonds	8,142	8,142	9,713		
Bonuses to employees	<u>-</u>	<u>-</u>	<u>962</u>		
Diluted EPS	<u>\$ 1,952,481</u>	<u>\$ 1,724,155</u>	<u>564,301</u>	<u>\$ 3.46</u>	<u>\$ 3.06</u>
<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 shares					
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>

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 has a dilutive 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 decided to grant 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.

17. 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 Intelligent Service (AiST)	Equity-method investee
ACA Digital Corporation (ACA)	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
Advantech KR Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
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
A-DLoG GmbH (A-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 Automation Corp. (H.K.) Limited (AAC (HK))	Equity-method investee of AAC (BVI)
HK Advantech Technology Co., Ltd. (ATC (HK))	Equity-method investee of ATC
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)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Equity-method investee of AAC (HK)

(Continued)

Related Party	Relationship with the Company
Xi'an Advantech Software Ltd. (AXA)	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
Avalue Technology Inc. ("Avalue")	The Company's chairman is Avalue Technology Inc.'s director
Advantech International Co., Ltd.	Advantech International Co., Ltd.'s owner is a second-degree relative of the Company's chairman
K&M Investment Co., Ltd. (K&M)	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
Hangzhou Advantofine Automation Co., Ltd. ("Advantofine")	Equity-method investee of ACN

(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:

	2012		2011	
	Amount	% of Total	Amount	% of Total
<u>For the six months ended June 30</u>				
Sales				
ANA	\$ 2,668,251	28	\$ 2,462,335	26
AEU	1,190,904	13	1,206,787	13
ACN	978,712	10	1,203,369	13
AiSC	858,479	9	905,654	10
AKMC	262,275	3	217,138	2
AKR	220,166	2	191,864	2
AJP	180,689	2	182,013	2
AAU	91,015	1	83,096	1
ASG	70,246	1	64,790	1
ABR	43,441	1	41,479	1
ACA	36,133	-	13,094	-
AMY	26,728	-	18,478	-
ATH	19,285	-	29,224	-
A-DLoG	15,206	-	5,624	-
Axiomtek	12,885	-	13,838	-
APL	5,596	-	5,606	-
Cermate	1,967	-	31	-
Netstar	1,677	-	369	-
Broadwin	1,086	-	1,135	-

(Continued)

	2012		2011	
	Amount	% of Total	Amount	% of Total
Advansus Corp.	\$ 680	-	\$ 7,838	-
Avalue	-	-	21,205	-
AiST	-	-	11,989	-
Innocore	-	-	6,151	-
BCM	-	-	596	-
Others	4	-	30	-
	<u>\$ 6,685,425</u>	<u>70</u>	<u>\$ 6,693,733</u>	<u>71</u>

(Concluded)

	2012		2011	
	Amount	% of Total	Amount	% of Total
Purchase of materials and supplies				
ATC	\$ 3,791,100	53	\$ 3,242,778	47
ACA	888,065	13	19,086	-
Advansus Corp.	319,807	6	657,362	10
Netstar	40,307	-	39,282	1
ANA	23,327	-	65,213	1
A-DLoG	17,491	-	-	-
Jan Hsiang	9,924	-	11,703	-
Cermate	3,449	-	8,949	-
AEU	2,711	-	417	-
ACN	1,535	-	6,383	-
Axiomtek	150	-	79	-
Broadwin	53	-	50	-
AiST	-	-	325,744	5
AKR	-	-	4,713	-
BCM	-	-	2,285	-
Others	164	-	89	-
	<u>\$ 5,098,083</u>	<u>72</u>	<u>\$ 4,384,133</u>	<u>64</u>
Operating expenses:				
Rental expense				
K&M	\$ 2,680	-	\$ 2,233	-
AIDC	1,746	-	1,746	-
	<u>4,426</u>	<u>-</u>	<u>3,979</u>	<u>-</u>
Administration expense				
ASG	4,359	-	2,407	-
AAC (HK)	2,885	-	-	-
AHK	-	-	2,782	-
AMY	-	-	384	-
	<u>7,244</u>	<u>-</u>	<u>5,573</u>	<u>-</u>
	<u>\$ 11,670</u>	<u>-</u>	<u>\$ 9,552</u>	<u>-</u>

	2012		2011	
	Amount	% of Total	Amount	% of Total
Nonoperating income and gains				
Royalty revenue for patent				
ATC	<u>\$ 113,570</u>	<u>100</u>	<u>\$ 163,543</u>	<u>100</u>
Rental revenues				
Advansus Corp.	\$ 30	-	\$ 3,510	21
BCM	30	-	390	2
Advantech Fund-A	<u>18</u>	<u>-</u>	<u>18</u>	<u>-</u>
	<u>\$ 78</u>	<u>-</u>	<u>\$ 3,918</u>	<u>23</u>
Other revenue				
ACN	\$ 12,914	16	\$ 14,255	11
ANA	11,565	14	10,731	8
AJP	9,808	12	8,169	6
AEU	6,756	8	5,863	4
A-DLoG	5,493	7	635	1
AiSC	4,642	6	-	-
AKR	4,069	5	2,284	2
ACA	2,520	3	-	-
ABR	2,349	3	526	-
AAU	1,908	2	1,160	1
ASG	1,768	2	967	1
AMY	1,250	2	618	1
ATH	1,072	1	204	-
Axiomtek	843	1	-	-
AIDC	750	1	750	1
Netstar	480	-	480	-
Broadwin	480	-	480	-
Cermate	360	-	360	-
K&M	250	-	250	-
Advansus Corp.	<u>51</u>	<u>-</u>	<u>8,941</u>	<u>7</u>
	<u>\$ 69,328</u>	<u>83</u>	<u>\$ 56,673</u>	<u>43</u>
Nonoperating expenses and losses				
Interest expense				
Advantech Fund-A	<u>\$ -</u>	<u>-</u>	<u>\$ 832</u>	<u>-</u>

Other revenues were from the provision of management service and technical support.

	2012		2011	
	Amount	% of Total	Amount	% of Total
<u>As of June 30</u>				
Accounts receivable - related parties				
AEU	\$ 896,806	31	\$ 875,722	36
ACN	602,072	21	555,571	23
ANA	560,894	20	371,349	15
AiSC	549,316	20	442,297	19
AKR	68,182	2	50,880	2
AAU	31,804	1	37,583	2
AJP	30,994	1	30,294	1
ABR	29,957	1	17,040	1
ASG	27,717	1	27,052	1
ACA	22,417	1	3,831	-
AMY	11,536	1	6,375	-
Axiomtek	4,457	-	3,266	-
A-DLoG	3,847	-	1,057	-
ATH	2,724	-	6,404	-
Cermate	1,903	-	-	-
APL	1,730	-	1,623	-
Netstar	1,214	-	47	-
Broadwin	561	-	499	-
Advansus Corp.	417	-	1,873	-
Avalue	-	-	9,682	-
Innocore	-	-	2,370	-
AiST	-	-	2,098	-
Others	529	-	7	-
	<u>\$ 2,849,077</u>	<u>100</u>	<u>\$ 2,446,920</u>	<u>100</u>
Other receivables - related parties				
AiSC	\$ 5,028	23	\$ 227	1
ACA	2,646	12	150	-
AEU	2,283	11	6,728	25
ACN	2,112	10	8,451	31
ABR	2,093	10	337	1
A-DLoG	1,776	8	634	2
AKR	1,387	6	925	3
AJP	1,162	6	1,622	6
AAU	723	3	677	3
ANA	720	3	4,147	15
AMY	446	2	141	1
ASG	351	2	544	2
Broadwin	252	1	-	-
AKMC	197	1	-	-
Netstar	168	1	-	-
Cermate	63	-	-	-
Advansus Corp.	14	-	2,306	9
BCM	-	-	68	-
Others	267	1	84	1
	<u>\$ 21,688</u>	<u>100</u>	<u>\$ 27,041</u>	<u>100</u>

	2012		2011	
	Amount	% of Total	Amount	% of Total
Accounts payable - related parties				
ATC	\$ 1,825,840	80	\$ 1,077,103	86
ACA	299,718	13	261	-
Advansus Corp.	119,694	5	121,195	10
Netstar	27,549	2	19,403	2
ANA	8,768	-	10,334	1
AEU	3,605	-	1,409	-
A-DLoG	3,026	-	-	-
Jan Hsiang	1,857	-	2,565	-
ASG	1,468	-	880	-
AAC (HK)	996	-	-	-
Cermate	726	-	1,470	-
AiSC	675	-	-	-
ATH	478	-	38	-
AJP	277	-	302	-
APL	172	-	130	-
Broadwin	50	-	-	-
ACN	20	-	1,106	-
AiST	-	-	10,045	1
AHK	-	-	491	-
Others	259	-	438	-
	<u>\$ 2,295,178</u>	<u>100</u>	<u>\$ 1,247,170</u>	<u>100</u>
Acquisition of assets				
Advansus Corp.	\$ 2,424	4	\$ 48	-
AKMC	142	-	89	-
ANA	70	-	-	-
ACA	-	-	16,403	1
Netstar	-	-	667	-
	<u>\$ 2,636</u>	<u>4</u>	<u>\$ 17,207</u>	<u>1</u>

Financing from 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>

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.

18. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, the Company had the following guarantees for affiliates' loans:

	Amount
AKMC	<u>\$ 597,600 thousand</u>
A-DLoG	<u>\$ 56,340 thousand</u>

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Available-for-sale financial assets - current	\$ 1,004,242	\$ 1,004,242	\$ -	\$ -
Available-for-sale financial assets - noncurrent	2,167,147	2,167,147	2,456,032	2,456,032
Liabilities				
Convertible bonds payable	550,418	635,231	752,777	835,284
<u>Derivative financial instruments and location</u>				
Financial assets at fair value through profit or loss - current				
Domestic	1,394	1,394	4,690	4,690
Foreign (including a foreign corporation operating locally)	8,310	8,310	23,352	23,352
Financial liabilities at fair value through profit or loss - current				
Domestic	1,593	1,593	5,661	5,661
Foreign (including a foreign corporation operating locally)	8,470	8,470	44,467	44,467

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, dividend 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 are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

- c. The Company's financial assets and liabilities with fair values that were based on quoted market prices or on estimates determined using certain valuation techniques were as follows:

	<u>Based on Quoted Market Price</u>		<u>Determined Using Valuation Techniques</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Asset</u>				
Financial assets at fair value through profit or loss -				
current	\$ -	\$ -	\$ 9,704	\$ 28,042
Available-for-sale financial assets - current	1,004,242	-	-	-
Available-for-sale financial assets - noncurrent	2,167,147	2,456,032	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current	-	-	10,063	50,128
Convertible bonds payable	635,231	835,284	-	-

- d. As of June 30, 2012 and 2011, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$1,303,150 thousand and \$521,000 thousand, respectively, and financial assets exposed to cash flow risk from interest rate fluctuation amounted to \$616,850 thousand and \$393,245 thousand, respectively. As of June 30, 2012 and 2011, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to \$0 thousand and \$86,175 thousand, respectively.
- e. The Company recognized an unrealized gain of \$517,047 thousand and an unrealized loss of \$158,307 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2012 and 2011, respectively. The Company also recognized unrealized losses of \$3,305 thousand and \$13,856 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, 2012 and 2011, 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 against adverse effect of 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 open-end 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 or third parties breach financial instrument 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 the 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.

20. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 17 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, 2012, accumulated inward remittance of earnings as of June 30, 2012 and maximum allowable limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 17 and 18 and Tables 1, 2, 5 and 6.

21. 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."

22. SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	June 30					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 114,459	29.880	\$ 3,420,035	\$ 83,726	28.725	\$ 2,405,029
EUR	24,180	37.560	908,201	22,054	41.630	918,108
JPY	89,482	0.375	33,556	92,799	0.357	33,129
Nonmonetary items						
USD	325	29.88	9,711	976	28.725	28,042
KRW	-	-	-	436,253	0.027	11,779
Investments accounted for by the equity method						
USD	182,997	29.880	5,467,950	157,206	28.725	4,515,742
EUR	24,123	37.560	906,043	22,929	41.630	954,512
JPY	513,155	0.375	192,433	471,686	0.357	168,392
KRW	4,685,031	0.026	123,263	4,917,115	0.027	132,762
SGD	4,750	23.520	111,719	3,805	23.380	88,958
AUD	2,496	30.380	75,826	2,667	30.825	82,209
BRL	1,849	14.409	26,636	1,490	18.450	27,483
MYD	4,331	9.390	40,672	4,030	9.521	38,372
<u>Financial liabilities</u>						
Monetary items						
USD	93,536	29.880	2,794,856	62,244	28.725	1,787,959
Nonmonetary items						
USD	337	29.880	10,070	1,746	28.725	50,154

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED

SIX MONTHS ENDED JUNE 30, 2012

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

No.	Financier	Counter-party	Financial Statement Account	Credit Line (Note E)		Actual Disbursement		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
				Maximum Balance for the Period	Ending Balance	Maximum Balance for the Period	Ending Balance						Item	Value		
1	AEUH	AEU	Other receivable - related parties	\$ 19,775 (EUR 500 thousand)	\$ 18,780 (EUR 500 thousand)	\$ 19,775 (EUR 500 thousand)	\$ 18,780 (EUR 500 thousand)	4%	Short-term financing	\$	-Financing need	\$ -	-	-	\$ 1,523,275 (Note B)	\$ 3,046,550 (Note B)
2	ANA	AKMC	Other receivable - related parties	165,648 (US\$ 5,600 thousand)	155,376 (US\$ 5,200 thousand)	165,648 (US\$ 5,600 thousand)	155,376 (US\$ 5,200 thousand)	2%	Short-term financing		-Financing need	-	-	-	1,523,275 (Note B)	3,046,550 (Note B)
3	AiSC	ACN	Other receivable - related parties	234,514 (RMB 49,885 thousand)	234,514 (RMB 49,885 thousand)	234,514 (RMB 49,885 thousand)	234,514 (RMB 49,885 thousand)	2%	Short-term financing		-Financing need	-	-	-	235,055 (Note C)	235,055 (Note C)
4	Advantech Fund-A	Advantech Co., Ltd. (the "Company")	Other receivable - related parties	300,000	300,000	-	-	1.2%	Short-term financing		-Financing need	-	-	-	353,817 (Note D)	353,817 (Note D)

Notes: A. The exchange rates as of June 30, 2012 were EUR1.00=NT\$37.56; US\$1.00=NT\$29.88; RMB1.00=NT\$4.7011.

B. The maximum amount of financing and the maximum amount of financing to individual counter-party that is not based in Taiwan that can be provided by the financier are 20% and 10% of the financier's net asset value, respectively.

C. The maximum amount of financing that can be provided by the financier is RMB50,000 thousand. For more efficient use of capital by the subsidiaries in Mainland China, the financing is deposited to a special capital-financing bank account in Citibank and is managed by ACN.

D. The maximum amount for a counter-party based in Taiwan is 40% of the net asset value of the financier.

E. The credit lines of maximum balance and the ending balance were approved by the financiers' board of directors.

ADVANTECH CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

SIX MONTHS ENDED JUNE 30, 2012

(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	\$ 1,523,275 (Note A)	\$ 597,600 (US\$ 200,000 thousand)	\$ 597,600 (US\$ 200,000 thousand)	\$ -	3.92%	\$ 4,569,825 (Note B)
		A-DLoG	Indirect subsidiary	1,523,275 (Note A)	59,325 (EUR 1,500 thousand)	56,340 (EUR 1,500 thousand)	-	0.37%	4,569,825 (Note B)
1	AAC (HK)	AiSC	Subsidiary	1,523,275 (Note A)	586,086 (RMB 124,670 thousand)	586,086 (RMB 124,670 thousand)	-	3.85%	4,569,825 (Note B)

Notes: 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\$29.88, RMB1.00=NT\$4.7011, and EUR1.00=NT\$37.56.

TABLE 3

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

JUNE 30, 2012

(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, 2012				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	\$ 2,478,378	100.00	\$ 2,482,085	Note A	
	ATC	"	"	38,750,000	2,963,046	100.00	2,982,059	Note A	
	Advansus Corp.	"	"	36,000,000	568,951	100.00	592,207	Note A	
	Advantech Fund-A	"	"	90,000,000	882,338	100.00	884,544	Note A	
	Axiomtek	Equity-method investee	"	20,537,984	313,177	26.55	313,177	Note A	
	AEUH	Subsidiary	"	9,572,024	906,043	100.00	906,043	Note A	
	ASG	"	"	1,450,000	111,719	100.00	111,719	Note A	
	AAU	"	"	500,204	75,826	100.00	75,826	Note A	
	AJP	"	"	1,200	192,433	100.00	192,433	Note A	
	AMY	"	"	2,000,000	40,672	100.00	40,672	Note A	
	AKR	"	"	600,000	121,811	100.00	121,811	Note A	
	ABR	"	"	971,055	26,636	43.28	26,636	Note A	
	AiST	"	"	5,000,000	52,497	100.00	53,423	Note A	
	ACA	"	"	7,948,839	259,682	99.36	269,395	Note A	
	AHK	"	"	999,999	206	100.00	206	Note A	
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	6,139,461	1,666,864	0.82	1,666,864	Notes B and E	
	Pegatron Corp	-	"	9,855,570	383,382	0.44	383,382	Notes B and F	
	Chunghwa Telecom Co., Ltd.	-	"	1,243,636	116,901	0.02	116,901	Notes B and G	
		<u>Fund</u>							
		Eastspring Inv Well Pool Money Market	-	Available for sale financial assets - current	6,132,780.76	80,691	-	80,691	Note D
	FSITC Money Market Fund	-	"	473,340.34	81,743	-	81,743	Note D	
	Yuanta Wan Tai Money Market	-	"	19,127,636.10	280,440	-	280,440	Note D	
	Mega Diamond Money Market	-	"	23,166,011.89	280,570	-	280,570	Note D	
	Taishin 1699 Money Market	-	"	21,464,632.66	280,798	-	280,798	Note D	
Advantech Fund-A	<u>Stock</u>								
	Netstar Technology Co., Ltd.	Subsidiary	Long-term equity investment	23,148,677	236,203	92.59	236,203	Note A	
	BCM Embedded Computer Inc.	"	"	4,500,000	18,090	100.00	18,090	Note A	
	Broadwin Technology Inc.	"	"	6,777,571	148,564	100.00	148,564	Note A	
	Cermate Technologies Inc.	"	"	5,500,000	89,196	55.00	89,196	Note A	

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Axiomtek	Equity-method investee	"	1,559,000	\$ 35,123	2.02	\$ 35,123	Note A
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	164,952	15,506	0.002	15,506	Note B
	AverMedia Information Inc.	-	Available for sale financial assets - current	808,500	19,606	0.823	19,606	Note B
	COBAN Research and Technologies, Inc.	-	Financial assets carried at cost - noncurrent	600,000	33,257	6.85	33,257	-
	<u>Fund</u> Eastspring Inv Well Pool Money Market	-	Available for sale financial assets - current	7,632,247.80	100,420	-	100,420	Note D
	FSITC Money Market	-	"	581,523.83	100,425	-	100,425	Note D
	Fuh Hwa Money Market	-	"	5,394,993.30	75,548	-	75,548	Note D
Advansus Corp.	<u>Fund</u> FSITC Money Market	-	Available for sale financial assets - current	407,967.99	70,453	-	70,453	Note D
	Taishin 1699 Money Market	-	Available for sale financial assets - current	6,882,584.79	90,037	-	90,037	Note D
AiST	<u>Fund</u> FSITC Money Market	-	Available for sale financial assets - current	94,155.75	16,260	-	16,260	Note D
	Fuh Hwa Money Market	-	"	2,581,311.30	36,147	-	36,147	Note D
ATC	<u>Stock</u> ATC (HK)	Subsidiary	Long-term equity investments	41,650,001	1,887,727	100.00	1,887,727	Note A
ATC (HK)	<u>Stock</u> AKMC	Subsidiary	Long-term equity investments	-	1,887,727	100.00	1,887,727	Note A
AAC (BVI)	<u>Stock</u> ANA	Subsidiary	Long-term equity investments	10,952,606	1,327,859	100.00	1,327,859	Note A
	AAC (HK)	"	"	15,230,001	1,152,090	100.00	1,152,090	Note A
ANA	<u>Stock</u> ABR	-	Financial assets carried at cost - noncurrent	375,192	5,746	16.72	5,746	Note A
AAC (HK)	<u>Stock</u> ACN	Subsidiary	Long-term equity investments	-	608,713	100.00	608,713	Note A
	AiSC	"	"	-	552,841	100.00	552,841	Note A
	AXA	"	"	-	(10,553)	100.00	(10,553)	Notes A and C
ACN	<u>Stock</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	16,398	60.00	16,398	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AEUH	<u>Stock</u> AEU	"	"	8,314,280	\$ 154,308	100.00	\$ 154,308	Note A
	APL	"	"	7,030	37,742	100.00	37,742	Note A
	A-DLoG	"	"	1	576,741	100.00	576,741	Note A
AEU	<u>Stock</u> Innocore	"	"	251,111	146,711	100.00	146,711	Note A
Innocore	<u>Stock</u> IGL	"	"	501,000	35,074	100.00	35,074	Note A
ASG	<u>Stock</u> ATH	"	"	51,000	17,886	51.00	17,886	Note A
Netstar Technology Co., Ltd.	<u>Stock</u> Jan Hsiang Electronics Co., Ltd.	"	"	655,500	7,146	28.50	7,146	Note A
	<u>Fund</u> Mega Diamond Money Market	-	Available for sale financial assets - current	1,238,563.93	15,001	-	15,001	Note D
Cermate Technologies Inc.	<u>Stock</u> Land Mark	"	Long-term equity investments	972,284	49,118	100.00	49,118	Note A
BCM Embedded Computer Inc.	<u>Fund</u> FSITC Money Market	-	Available for sale financial assets - current	61,033.03	10,540	-	10,540	Note D
Broadwin Technology Inc.	<u>Fund</u> Fuh Hwa Money Market	-	Available for sale financial assets - current	469,058.20	6,569	-	6,569	Note D
	FSITC Money Market	-	"	258,991.69	44,726	-	44,726	Note D
Land Mark	<u>Stock</u> Cermate (Shanghai)	"	Long-term equity investments	-	24,696	100.00	24,696	Note A
	Cermate (Shenzhen)	"	"	-	24,297	90.00	24,297	Note A
ACA	<u>Fund</u> Union Money Market	-	Available for sale financial assets - current	1,569,883.36	20,069	-	20,069	Note D
	Taishin 1699 Money Market	-	"	8,422,729.93	110,185	-	110,185	Note D

Note A: The financial statements used as basis of net asset values were not reviewed by CPA, except those of ATC, ANA, AKMC, ACN, and AiSC.

Note B: Market value was based on the closing price on June 30, 2012.

(Continued)

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

Note D: Market value was based on the net asset values of the open-end mutual funds on the balance sheet date.

Note E: The amount included \$1,446,100 thousand, the carrying value of 5,400,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 6 of the financial statements for more information.

Note F: The amount included \$365,660 thousand, the carrying value of 9,400,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 6 of the financial statements for more information.

Note G: The amount included \$116,842 thousand, the carrying value of 1,243,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 6 of the financial statements for more information.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Advantech	<u>Fund</u> Eastspring Inv Well Pool Money Market	Available for sale financial assets - current	-	-	7,633,879.00	\$ 100,065	13,715,780.20	\$ 180,000	15,216,878.60	\$ 200,000	\$ 199,510	\$ 490	6,132,780.76	\$ 80,691
	FSITC Money Market	Available for sale financial assets - current	-	-	959,093.15	165,024	704,052.28	121,300	1,189,805.09	205,300	204,746	554	473,340.34	81,743
	Fuh Hwa Money Market	Available for sale financial assets - current	-	-	7,171,749.00	100,060	11,451,978.60	160,000	18,623,727.60	260,501	260,000	501	-	-
	Mega Diamond Money Market	Available for sale financial assets - current	-	-	-	-	23,166,011.89	280,000	-	-	-	-	23,166,011.89	280,570
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	21,464,632.66	280,000	-	-	-	-	21,464,632.66	280,798
	Yuanta Wan Tai Money Market	Available for sale financial assets - current	-	-	-	-	19,127,636.10	280,000	-	-	-	-	19,127,636.10	280,440
	<u>Stock</u> Advansus Corp.	Investment accounted for by the equity method	Pegatron Corp.	-	-	18,000,000.00	228,914	18,000,000.00	306,000	-	-	-	-	36,000,000.00
Advansus Corp.	<u>Fund</u> FSITC Money Market	Available for sale financial assets - current	-	-	465,121.72	80,030	638,454.77	110,000	695,608.50	120,000	119,703	297	407,967.99	70,453
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	14,531,645.87	190,000	7,649,061.08	100,000	99,970	30	6,882,584.79	90,037
ACA	<u>Fund</u> Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	8,805,191.76	115,000	382,461.83	5,000	4,991	9	8,422,729.93	110,185

Note: The Company acquired 50% of Advansus Corp. from Pegatron Corp. for \$306,000 thousand (i.e. at NT\$17.00 per share). As of June 30, 2012, the Company had paid the balance of the investment acquisition price..

ADVANTECH CO., LTD. AND INVESTEEES

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, 2012

(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	AEU	Indirect subsidiary	(Sale)	\$ (1,190,904)	12.42	45 days after month end	Contract price	No significant difference from terms for related parties	\$ 896,806	21.73	
	ACN	Indirect subsidiary	(Sale)	(978,712)	10.21	45 days after month end	Contract price	No significant difference from terms for related parties	602,072	14.59	
	AKMC	Indirect subsidiary	(Sale)	(262,275)	2.73	45 days after month end	Contract price	No significant difference from terms for related parties	-	0.00	
	AJP	Subsidiary	(Sale)	(180,689)	1.88	45 days after month end	Contract price	No significant difference from terms for related parties	30,994	0.75	
	AiSC	Indirect subsidiary	(Sale)	(858,479)	8.95	45 days after month end	Contract price	No significant difference from terms for related parties	549,316	13.31	
	ANA	Indirect subsidiary	(Sale)	(2,668,251)	27.82	45 days after month end	Contract price	No significant difference from terms for related parties	560,894	13.59	
	AKR	Subsidiary	(Sale)	(220,166)	2.30	45 days after month end	Contract price	No significant difference from terms for related parties	68,182	1.65	
	ATC	Subsidiary	Purchase	3,791,100	52.39	45 days after month end	Contract price	No significant difference from terms for related parties	(1,825,840)	59.59	
	Advansus Corp.	Subsidiary	Purchase	319,807	4.42	30 days after month end	Contract price	No significant difference from terms for related parties	(119,694)	3.91	
	ACA	Subsidiary	Purchase	888,065	12.27	30 days after month end	Contract price	No significant difference from terms for related parties	(299,718)	9.78	
ATC	Advantech	Ultimate parent company	(Sale)	(3,791,100)	99.50	45 days after month end	Contract price	No significant difference from terms for related parties	1,825,840	98.57	
Advansus Corp.	Advantech	Ultimate parent company	(Sale)	(319,807)	23.87	30 days after month end	Contract price	No significant difference from terms for related parties	119,694	24.88	
ACA	Advantech	Ultimate parent company	(Sale)	(888,065)	59.40	30 days after month end	Contract price	No significant difference from terms for related parties	299,718	53.25	
ANA	Advantech	Ultimate parent company	Purchase	2,668,251	86.95	45 days after month end	Contract price	No significant difference from terms for related parties	(560,894)	79.30	
AEU	Advantech	Ultimate parent company	Purchase	1,190,904	84.60	45 days after month end	Contract price	No significant difference from terms for related parties	(896,806)	100.00	
AJP	Advantech	Ultimate parent company	Purchase	180,689	87.48	45 days after month end	Contract price	No significant difference from terms for related parties	(30,994)	115.70	

(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	
ACN	Advantech	Ultimate parent company	Purchase	\$ 978,712	73.16	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	\$ (602,072)	61.99	
AKMC	Advantech	Ultimate parent company	Purchase	262,275	8.08	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	-	0.00	
AiSC	Advantech	Ultimate parent company	Purchase	858,479	65.85	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(549,316)	80.54	
AKR	Advantech	Ultimate parent company	Purchase	220,166	53.80	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(68,182)	58.41	
Advansus Corp.	AKMC	Related enterprise	(Sale)	(437,244)	32.64	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	174,056	36.19	
AKMC	ATC	Related enterprise	(Sale)	(3,283,803)	93.10	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	729,414	84.73	
ACA	AKMC	Related enterprise	(Sale)	(362,394)	24.24	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	165,083	29.33	
ACN	AiSC	Related enterprise	(Sale)	(134,636)	8.62	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	28,685	3.89	
AKMC	Netstar Technology Co., Ltd.	Related enterprise	(Sale)	(122,146)	3.46	Next 60 days after month end	Mark-up pricing	No significant difference from terms for related parties	59,958	6.97	
ACA	Advansus Corp.	Related enterprise	(Sale)	(235,288)	15.74	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	98,587	17.51	
AKMC	Advansus Corp.	Related enterprise	Purchase	437,244	13.47	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(174,056)	12.90	
	ACA	Related enterprise	Purchase	362,394	11.16	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(165,083)	12.23	
AiSC	ACN	Related enterprise	Purchase	134,636	10.33	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(28,685)	4.21	
Netstar Technology Co., Ltd.	AKMC	Related enterprise	Purchase	122,146	94.34	Next 60 days after month end	Mark-up pricing	No significant difference from terms for related parties	(59,958)	20.36	
Advansus Corp.	ACA	Related enterprise	Purchase	235,288	19.60	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(98,587)	16.04	
ATC	AKMC	Related enterprise	Purchase	3,283,803	99.80	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(729,414)	98.48	

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2012

(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	AEU	Indirect subsidiary	\$ 896,806	2.78	\$ -	-	\$ 189,956	\$ -
	AiSC	Indirect subsidiary	549,316	3.54	-	-	147,372	-
	ACN	Indirect subsidiary	602,072	3.60	-	-	191,534	-
	ANA	Indirect subsidiary	560,894	10.04	-	-	458,554	-
ATC	Advantech	Parent company	1,825,840	5.09	-	-	619,450	-
ACA	Advantech	Parent company	299,718	8.26	-	-	285,430	-
Advansus Corp.	Advantech	Parent company	119,694	6.99	-	-	111,093	-
ACA	AKMC	Related enterprise	165,083	6.75	-	-	119,619	-
AiSC	ACN	Related enterprise	274,957	1.05	-	-	149,400	-
AKMC	ATC	Related enterprise	729,414	16.28	-	-	618,517	-
ANA	AKMC	Related enterprise	158,119	0.09	-	-	2,656	-
APL	AEU	Related enterprise	102,901	0.73	-	-	2,734	-
Advansus Corp.	AKMC	Related enterprise	174,056	8.39	-	-	117,442	-

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, 2012
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Advantech	AAC (BVI)	BVI	Investment and management service	\$ 993,108	\$ 993,108	29,623,834	100.00	\$ 2,478,378	\$ 90,549	\$ 88,989	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	2,963,046	375,053	363,663	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	180,000	36,000,000	100.00	568,951	43,004	33,903	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,146,489	1,146,489	9,572,024	100.00	906,043	8,987	8,987	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment holding company	900,000	900,000	90,000,000	100.00	882,338	27,700	27,925	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	26.55	313,177	78,796	20,924	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	111,719	11,762	11,762	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	75,826	976	976	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	192,433	5,891	5,891	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	40,672	2,500	2,500	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	121,811	10,944	10,944	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	26,636	6,928	4,157	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	52,497	(21)	(946)	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	206	360	360	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of portable industrial computing products	141,562	141,562	7,948,839	99.36	259,682	80,596	70,367	Subsidiary
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	282,502	274,078	23,148,677	92.59	236,203	20,024	18,595	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	4,500,000	100.00	18,090	312	312	Indirect subsidiary
	Broadwin Technology Inc.	Taipei, Taiwan	Assembly and production of computers	142,063	142,063	6,777,571	100.00	148,564	1,816	1,816	Indirect subsidiary
	Cermate Technologies Inc.	Taipei, Taiwan	Production and sale of electrical equipment, telecommunications equipment and electronic parts manufacturing	71,500	71,500	5,500,000	55.00	89,196	9,954	5,475	Indirect subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	35,329	35,329	1,559,000	2.02	35,123	78,865	1,593	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	1,887,727	76,529	76,529	Indirect subsidiary
ATC (HK)	AKMC	Jiangsu, China	Production and sale of industrial automation products	1,212,730	1,212,730	-	100.00	1,887,727	76,529	76,529	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,327,859	68,275	68,275	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,152,090	20,706	20,706	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	608,713	750	750	Indirect subsidiary
	AISC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	552,841	30,904	30,904	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	(10,553)	(11,753)	(11,753)	Indirect subsidiary (Note A)
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processing and sale of peripherals	13,727	13,727	-	60.00	16,398	1,625	975	Equity-method investee
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	316,403	316,403	8,314,280	100.00	154,308	2,778	2,778	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	703	100.00	37,742	1,642	1,642	Indirect subsidiary
	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	576,741	4,593	4,593	Indirect subsidiary
AEU	Innocore	England	Design, R&D and sale of gaming computing products	166,023	166,023	251,111	100.00	146,711	(6,732)	(6,732)	Indirect subsidiary
Innocore	IGL	England	Design, R&D and sale of gaming computing products	166,023	166,023	501,000	100.00	35,074	14	14	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
ASG	ATH	Thailand	Production of computers	\$ 7,537	\$ 7,537	51,000	51.00	\$ 17,886	\$ 2,540	\$ 1,296	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	7,146	(2,759)	(1,194)	Indirect subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	49,118	5,760	5,760	Indirect subsidiary
LandMark	Cermate (Shanghai) Cermate (Shenzhen)	Shanghai, China Shenzhen, China	Sale of industrial electronic products	US\$ 572	US\$ 572	-	100.00	24,696	1,391	1,391	Indirect subsidiary
			Manufacture of LCD touch panels, USB data cables and industrial automation products	US\$ 308	US\$ 308	-	90.00	24,297	4,854	4,369	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 not reviewed by a CPA, except those of ATC, ANA, AKMC ACN, and AiSC.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2012

(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, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2012	Accumulated Inward Remittance of Earnings as of June 30, 2012
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$41,650 thousand	Indirect	\$ 1,114,524 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,114,524 (US\$ 37,300 thousand)	100%	\$ 76,529	\$ 1,887,727	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	159,320 (US\$ 5,332 thousand)	-	-	159,320 (US\$ 5,332 thousand)	100%	750	608,713	335,702 (US\$ 11,235 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	239,040 (US\$ 8,000 thousand)	-	-	239,040 (US\$ 8,000 thousand)	100%	30,904	552,841	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(11,753)	(10,553)	-

Accumulated Investment in Mainland China as of June 30, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Maximum Allowable Limit on Investment
\$1,518,860 (US\$50,832 thousand) (Note D)	\$2,061,720 (US\$69,000 thousand)	\$9,139,650 (Note F)

Note A: The financial statements used as basis of net asset values were not reviewed by CPA.

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 17 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 of US\$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in Guang Zhou. 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\$29.88.

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