Advantech Co., Ltd.

Financial Statements for the
Years Ended December 31, 2012 and 2011 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. (the "Company") as of December 31, 2012 and 2011, and the related statements of income, changes in shareholders' equity and cash flows for the years 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. However, as stated in Note 8 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2012 and 2011 of some companies in which the Company had investments accounted for by the equity method. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the investees' amounts included herein, is based solely on the reports of other auditors. The carrying values of these investments were 7.22% (NT$1,621,847 thousand) and 8.41% (NT$1,743,959 thousand) of the Company's total assets as of December 31, 2012 and 2011, respectively. Also, the equity in the investees' net gains was 3.00% (NT$118,629 thousand) and 5.13% (NT$207,433 thousand) of the Company's income before income tax in 2012 and 2011, respectively.

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 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the 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 audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2012 and 2011 and have expressed a modified unqualified opinion on those consolidated financial statements in our report (not presented herewith) dated March 22, 2013.

March 22, 2013

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
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 1,087,928	5	$ 752,205	4
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 17)	16,879	-	57,204	-
Notes receivable (Note 2)	86,185	-	90,955	-
Accounts receivable, net of allowance for doubtful accounts of $4,729 thousand in 2012 and $4,234 thousand in 2011 (Note 2)	853,078	4	771,892	4
Accounts receivable - related parties, net (Notes 2 and 16)	2,724,065	12	2,394,400	12
Other receivable	55,726	-	46,352	-
Other receivable - related parties (Note 16)	16,106	-	31,330	-
Inventories, net (Notes 2 and 7)	1,411,444	6	1,608,079	8
Deferred income tax assets - current (Notes 2 and 13)	24,828	-	31,671	-
Restricted assets	109,110	1	-	-
Prepayments and other current assets	15,945	-	11,573	-
Available-for-sale financial assets - current (Notes 2, 6 and 17)	620,148	3	365,149	2
Total current assets	7,021,442	31	6,160,810	30
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 17)	2,271,747	10	2,309,762	11
Investments accounted for by the equity method (Notes 2 and 8)	9,107,558	41	8,268,164	40
Total long-term investments	11,379,305	51	10,577,926	51
PROPERTIES (Notes 2 and 9)				
Cost				
Land	2,596,325	12	2,613,941	12
Buildings	1,210,305	5	1,216,732	6
Machinery and equipment	598,602	3	543,819	3
Furniture and fixtures	153,567	1	144,116	1
Other equipment	320,671	1	281,299	1
Total cost	4,879,470	22	4,799,907	23
Less: Accumulated depreciation	1,041,547	5	892,923	4
	3,837,923	17	3,906,984	19
Construction in progress and prepayments for equipment	139,738	1	23,118	-
Properties, net	3,977,661	18	3,930,102	19
OTHER ASSETS				
Refundable deposits	7,794	-	5,787	-
Deferred expenses, net (Note 2)	87,836	-	74,297	-
Total other assets	95,630	-	80,084	-
TOTAL	$ 22,474,038	100	$ 20,748,922	100

	2012		2011	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 17)	$ 9,620	-	$ 53,516	-
Accounts payable	501,215	2	575,300	3
Accounts payable - related parties (Note 16)	1,427,271	6	1,413,342	7
Income tax payable (Notes 2 and 13)	336,962	1	331,218	2
Accrued expenses (Note 12)	1,298,602	6	1,093,768	5
Advance receipts and other current liabilities	132,513	1	103,620	-
Total current liabilities	3,706,183	16	3,570,764	17
LONG-TERM LIABILITIES				
Convertible bonds payable (Notes 2, 10 and 17)	184,660	1	760,331	4
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 11)	101,144	1	102,678	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	459,381	2	455,974	2
Deferred credits (Note 2)	320,695	1	264,556	1
Others (Notes 2 and 8)	-	-	159	-
Total other liabilities	881,220	4	823,367	4
Total liabilities	4,772,063	21	5,154,462	25
SHAREHOLDERS' EQUITY				
Capital stock				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued and outstanding - 563,997 thousand shares in 2012 and 551,797 thousand shares in 2011	5,639,971	25	5,517,971	27
Advance receipts for common stock	-	-	11,990	-
Total capital stock	5,639,971	25	5,529,961	27
Capital surplus				
Additional paid-in capital	4,563,350	20	3,751,469	18
From long-term equity investments	56,977	-	59,191	1
Stock options	138,435	1	256,210	1
Total capital surplus	4,758,762	21	4,066,870	20
Retained earnings				
Legal reserve	2,715,185	12	2,359,911	11
Special reserve	545,303	2	621,662	3
Unappropriated earnings	3,979,852	18	3,561,361	17
Total retained earnings	7,240,340	32	6,542,934	31
Others				
Cumulative translation adjustments	(104,345)	-	105,408	-
Net loss not recognized as pension cost	(1,697)	-	(2,121)	-
Unrealized gain (loss) on financial instruments	168,944	1	(648,592)	(3)
Total others	62,902	1	(545,305)	(3)
Total shareholders' equity	17,701,975	79	15,594,460	75
TOTAL	$ 22,474,038	100	$ 20,748,922	100

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

(With Deloitte & Touche audit report dated March 22, 2013)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 16)				
Sales	$ 19,417,339	99	$ 18,449,519	99
Sales returns and allowances	127,753	1	89,762	-
Net sales	19,289,586	98	18,359,757	99
Other operating revenue	294,276	2	259,998	1
Total operating revenue	19,583,862	100	18,619,755	100
OPERATING COSTS (Notes 7, 14 and 16)	14,519,046	74	13,510,675	73
GROSS PROFIT	5,064,816	26	5,109,080	27
UNREALIZED INTERCOMPANY GAINS (Note 2)	(256,306)	(2)	(200,167)	(1)
REALIZED INTERCOMPANY GAINS (Note 2)	200,167	1	185,219	1
ADJUSTED GROSS PROFIT	5,008,677	25	5,094,132	27
OPERATING EXPENSES (Notes 14 and 16)				
Marketing	417,837	2	424,922	2
Administration	580,035	3	445,900	2
Research and development	1,771,846	9	1,633,994	9
Total operating expenses	2,769,718	14	2,504,816	13
OPERATING INCOME	2,238,959	11	2,589,316	14
NONOPERATING INCOME AND GAINS				
Interest income (Note 16)	4,203	-	961	-
Investment income recognized under the equity method, net (Notes 2 and 8)	988,049	5	831,875	4
Gain on disposal of properties	34,541	-	-	-
Gain on sale of investments, net	56,985	-	-	-
Foreign exchange gain, net (Note 2)	-	-	64,052	-
Royalty revenue (Note 16)	364,848	2	325,933	2
Rental revenue (Note 16)	12,156	-	33,949	-
Valuation gain on financial instruments (Notes 2 and 5)	112,256	1	121,127	1
Dividend income	95,813	-	117,612	1
Other income (Notes 6 and 16)	148,502	1	151,884	1
Total nonoperating income and gains	1,817,353	9	1,647,393	9

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ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 16)	$ 11,854	-	$ 14,357	-
Loss on disposal of properties	57	-	-	-
Loss on sale of investments, net	-	-	36,963	-
Valuation loss on financial instruments, net (Notes 2 and 5)	45,597	-	139,504	1
Exchange loss, net (Note 2)	50,191	-	-	-
Other expenses	110	-	482	-
Total nonoperating expenses and losses	107,809	-	191,306	1
INCOME BEFORE INCOME TAX	3,948,503	20	4,045,403	22
INCOME TAX EXPENSE (Notes 2 and 13)	486,116	2	492,665	3
NET INCOME	$ 3,462,387	18	$ 3,552,738	19

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 16)				
Basic	$ 7.09	$ 6.22	$ 7.33	$ 6.44
Diluted	$ 7.01	$ 6.15	$ 7.32	$ 6.43

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

(With Deloitte & Touche audit report dated March 22, 2013) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock - Issued and Outstanding (Note 12)			Capital Surplus (Notes 2, 10 and 12)				Retained Earnings (Notes 2 and 12)							
	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 Options	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments (Notes 2 and 17)	Total Shareholders' Equity
BALANCE, JANUARY 1, 2011	501,634	$ 5,016,337	$ -	$ 4,253,103	$ 59,898	$ 79,849	$ 4,392,850	$ 2,102,592	$ 70,136	$ 2,573,186	$ 4,745,914	$ (215,759)	$ (2,121)	$ (403,782)	$ 13,533,439
Appropriation of the 2010 earnings															
Legal reserve	-	-	-	-	-	-	-	257,319	-	(257,319)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	551,526	(551,526)	-	-	-	-	-
Stock dividends - NT$0.10 per share	50,163	501,634	-	(501,634)	-	-	(501,634)	-	-	-	-	-	-	-	-
Cash dividends - NT$3.50 per share	-	-	-	-	-	-	-	-	-	(1,755,718)	(1,755,718)	-	-	-	(1,755,718)
Net income in 2011	-	-	-	-	-	-	-	-	-	3,552,738	3,552,738	-	-	-	3,552,738
Issuance of convertible bonds	-	-	-	-	-	44,716	44,716	-	-	-	-	-	-	-	44,716
Employee stock options	-	-	11,990	-	-	49,171	49,171	-	-	-	-	-	-	-	61,161
Compensation cost recognized for employee stock options	-	-	-	-	-	82,474	82,474	-	-	-	-	-	-	-	82,474
Company's proportional recognition of the changes in investees' equity in their investments	-	-	-	-	(707)	-	(707)	-	-	-	-	-	-	-	(707)
Changes in unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(184,625)	(184,625)
Equity in the changes in unrealized valuation loss on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	(60,185)	(60,185)
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	321,167	-	-	321,167
BALANCE, DECEMBER 31, 2011	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															
Legal reserve	-	-	-	-	-	-	-	355,274	-	(355,274)	-	-	-	-	-
Cash dividends - NT$5 per share	-	-	-	-	-	-	-	-	-	(2,764,981)	(2,764,981)	-	-	-	(2,764,981)
Reversal of special reserve	-	-	-	-	-	-	-	-	(76,359)	76,359	-	-	-	-	-
Net income in 2012	-	-	-	-	-	-	-	-	-	3,462,387	3,462,387	-	-	-	3,462,387
Employee stock options	4,550	45,500	(11,990)	266,771	-	(129,096)	137,675	-	-	-	-	-	-	-	171,185
Conversion of convertible bonds	7,650	76,500	-	545,110	-	(34,085)	511,025	-	-	-	-	-	-	-	587,525
Compensation cost recognized for employee stock options	-	-	-	-	-	45,406	45,406	-	-	-	-	-	-	-	45,406
Company's proportional recognition of the changes in investees' equity in their investments	-	-	-	-	(2,214)	-	(2,214)	-	-	-	-	-	424	-	(1,790)
Change in unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	819,730	819,730
Equity in the changes in unrealized valuation loss on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,194)	(2,194)
Changes in translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(209,753)	-	-	(209,753)
BALANCE, DECEMBER 31, 2012	563,997	$ 5,639,971	$ -	$ 4,563,350	$ 56,977	$ 138,435	$ 4,758,762	$ 2,715,185	$ 545,303	$ 3,979,852	$ 7,240,340	$ (104,345)	$ (1,697)	$ 168,944	$ 17,701,975

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

(With Deloitte & Touche audit report dated March 22, 2013)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,462,387	$ 3,552,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	235,927	225,910
Amortization of discount on convertible bonds	11,854	9,388
Provision (reversal of provision) for doubtful accounts	495	(1,266)
Provision (reversal of provision) for loss on inventories	36,309	(5,736)
Loss on disposal of scrap inventories	46,161	52,409
Loss on physical inventory	1,919	2,566
Gain on disposal of long-term equity investments, net	-	(13,508)
Loss (gain) on the sale of available-for-sale financial assets, net	(56,985)	50,471
Loss (gain) on the disposal of properties, net	(34,484)	196
Investment income recognized under the equity method, net	(988,049)	(831,875)
Cash dividends received from equity-method investees	224,750	168,510
Compensation cost of employee stock options	45,406	82,474
Accrued pension cost	(1,534)	(1,532)
Deferred income tax	31,622	96,052
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(3,571)	7,991
Notes receivable	4,770	(46,946)
Accounts receivable	(81,681)	(60,976)
Accounts receivable - related parties	(329,665)	(442,343)
Other receivables	(9,374)	2,209
Other receivables - related parties	15,224	7,386
Inventories	112,246	(342,398)
Prepayments and other current assets	(4,372)	2,518
Accounts payable	(74,085)	61,915
Accounts payable - related parties	13,929	229,526
Income tax payable	5,744	(33,838)
Accrued expenses	204,834	184,841
Receipts in advance and other current liabilities	28,893	19,580
Deferred credits	56,139	14,948
Net cash provided by operating activities	2,954,809	2,991,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,783,300)	(365,000)
Proceeds of capital return on available-for-sale financial assets	-	3,109
Proceeds of the disposal of available-for-sale financial assets	2,443,031	114,061
Acquisition of investments accounted for by the equity method	(311,567)	(141,562)
Proceeds of the disposal of equity-method investments	-	26,873
Proceeds of the liquidation of equity-method investments	204	20,622
Proceeds of the disposal of properties	57,672	403
Acquisition of properties	(240,875)	(1,716,387)

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
Increase in restricted assets	$ (109,110)	$ -
Increase in deferred charges	(79,338)	(40,486)
Decrease (increase) in refundable deposits	(2,007)	1,238
Net cash used in investing activities	(25,290)	(2,097,129)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(2,764,981)	(1,755,718)
Issuance of convertible bonds	-	800,000
Employee stock options	171,185	61,161
Net cash used in financing activities	(2,593,796)	(894,557)
NET INCREASE (DECREASE) IN CASH	335,723	(476)
CASH, BEGINNING OF YEAR	752,205	752,681
CASH, END OF YEAR	$ 1,087,928	$ 752,205
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	$ 448,750	$ 430,451
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	$ 587,525	$ -

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

(With Deloitte & Touche audit report dated March 22, 2013) (Concluded)

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 assets and liabilities of AIMS.

As of December 31, 2012 and 2011, the Company had 1,985 and 1,826 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, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, laws 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; income tax expense, pension cost; accrued product warranty reserve; bonuses paid to employees and remunerations to directors and supervisors; etc. Actual results could differ from these estimates.

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

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

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as properties and intangible assets 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. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

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

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. 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 as 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. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

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 allowance 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.

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
- It becoming probable 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 costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average 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 to be 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.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee.

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 significant influence equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in losses of the investee if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

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 investee 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. Borrowing cost directly attributable to the acquisition or construction of properties are capitalized as part of the cost of those assets. 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, two to eight years; furniture and fixtures, two to five years; and miscellaneous equipment, two to five years. Properties still being used by the Company beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

Deferred Expenses

Deferred expenses, consisting of computer software costs and royalties, are amortized over 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 (SFAS) No. 39 - “Share-based Payment.” Under SFAS No. 39, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Convertible Bonds Payable

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

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

Pension Cost

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

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

Income Tax

The Company applies the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles or charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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.

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 year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information on the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting."

4. CASH

	December 31	
	2012	2011
Cash on hand	$ 1,483	$ 1,556
Checking accounts and demand deposits	616,445	750,649
Time deposits: Interest - 0.77%-0.80% in 2012	470,000	-
	$ 1,087,928	$ 752,205

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	December 31	
	2012	2011
Financial assets held for trading		
Forward exchange contracts	$ 16,879	$ 57,204
Financial liabilities held for trading		
Forward exchange contracts	$ 9,620	$ 53,516

Outstanding forward exchange contracts as of December 31, 2012 and 2011 were as follows:

	Currency	Maturity	Amount (Thousands)
December 31, 2012			
Sell	EUR/NTD	January 2013 - June 2013	EUR5,000/NTD189,762
	EUR/USD	January 2013 - June 2013	EUR10,000/USD13,024
	USD/NTD	January 2013 - June 2013	USD41,047/NTD1,201,760
	JPY/NTD	January 2013 - May 2013	JPY130,000/NTD47,989
	JPY/USD	January 2013 - May 2013	JPY80,000/USD6,253,835
December 31, 2011			
Sell	EUR/NTD	January 2012 - June 2012	EUR5,500/NTD223,957
	EUR/USD	January 2012 - June 2012	EUR13,000/USD18,419
	USD/NTD	January 2012 - June 2012	USD44,935/NTD1,308,802
	JPY/USD	January 2012 - April 2012	JPY120,000/USD1,517
	JPY/NTD	January 2012 - April 2012	JPY140,000/NTD52,273

The Company entered into forward exchange contracts in 2012 and 2011 to manage exchange risks due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

On trading financial assets or liabilities, the Company had a net gain of $66,659 thousand in 2012 and a net loss of $18,377 thousand in 2011.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2012		2011	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 620,148	$ -	$ 365,149	$ -
Quoted domestic stocks				
ASUSTEK Computer Inc.	-	1,784,146	-	1,576,266
Pegatron Corp.	-	370,077	-	609,132
Chunghwa Telecom Co., Ltd.	-	117,524	-	124,364
	$ 620,148	$ 2,271,747	$ 365,149	$ 2,309,762

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 December 31, 2012, the stock held in trust amounted to $1,988,659 thousand. Please refer to Table 3 for more information. On the transactions, the Company recognized a gain of $9,115 thousand, recorded under other nonoperating income as of December 31, 2012.

7. INVENTORIES, NET

	December 31	
	2012	2011
Finished goods	$ 467,437	$ 476,295
Work in process	240,472	246,369
Materials and supplies	680,709	877,218
Goods in transit	22,826	8,197
	$ 1,411,444	$ 1,608,079

As of December 31, 2012 and 2011, the allowances for inventory devaluation were $153,391 thousand and $117,082 thousand, respectively.

As of December 31, 2012 and 2011, the costs of goods sold related to inventories were $14,519,046 thousand and $13,510,675 thousand, respectively, which included (a) losses of $36,309 thousand on inventory write-down, $1,919 thousand on physical inventory, and $46,161 thousand on inventory scrap disposal for 2012, and (b) a gain of $5,736 thousand on the reversal of inventory write-down, a loss of $2,566 thousand on physical inventory, and a loss of $52,409 thousand on inventory scrap disposal for 2011.

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2012		2011	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Listed				
Axiomtek Co., Ltd.	$ 338,617	26.55	$ 326,510	26.55
Unlisted				
Advantech Technology Co., Ltd.	2,820,584	100.00	2,648,285	100.00
Advantech Automation Corp. (BVI)	2,589,026	100.00	2,430,970	100.00
Advantech Europe Holding B.V.	911,637	100.00	927,895	100.00
Advantech Investment Fund-A Co., Ltd.	929,538	100.00	859,697	100.00
Advansus Corp.	552,834	100.00	228,914	50.00
Advantech Japan Co., Ltd.	168,123	100.00	194,469	100.00
ACA Digital Corporation	325,489	99.36	189,068	99.36
Advantech KR Co., Ltd.	154,322	100.00	140,733	100.00
Advantech Co. Singapore Pte, Ltd.	113,421	100.00	99,476	100.00
Advantech Intelligent Service	52,673	100.00	80,772	100.00
Advantech Australia Pty Ltd.	77,113	100.00	75,745	100.00
Advantech Co. Malaysia Sdn. Bhd.	39,628	100.00	39,112	100.00
Advantech Brazil S/A	33,129	43.28	26,518	43.28
Advantech Industrial Computing India Private Limited (AIN)	1,424	99.99	-	30.00
	8,768,941		7,941,654	
Long-term equity-method investments	$ 9,107,558		$ 8,268,164	

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Company's investments, had been audited, except those of Advantech Industrial Computing India Private Limited (AIN). The Company believes that, had Advantech Industrial Computing India Private Limited (AIN)'s financial statements been audited, any adjustments arising would have had no material effect on the Company's financial statements.

The financial statements of the following investees had been audited by other auditors, i.e., not the Company's auditors: In 2012 and 2011 - Axiomtek Co., Ltd.; Advantech Europe Holding B.V. (excluding the financial statements of its subsidiary, Advantech Europe B.V., which were audited by the Parent Company's CPAs); Advantech Japan Co., Ltd.; Advantech Australia Pty Ltd.; Advantech Co. Singapore Pte, Ltd.; Advantech Co. Malaysia Sdn. Bhd.; Advantech Brazil S/A; Jan-Hsiang Electronics Co., Ltd., an investee of Advantech Investment Fund-A Co., Ltd., and in 2012, DLoG GmbH, an indirect subsidiary of Advantech Europe Holding B.V.

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 in 2012 and 2011 of the difference allocated to goodwill arising from the above acquisition were as follows:

	Years Ended December 31	
	2012	2011
Cost		
Balance, beginning of year	$ 162,003	$ 93,108
Amount recognized on acquisition of investments	62,931	68,970
Amount derecognized on disposal of investments	-	(357)
Translation adjustment	(2,636)	282
Balance, end of year	$ 222,298	$ 162,003

In 2011, the Company intended to support the operations of Advantech (HK) Technology Co., Ltd. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" 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 December 31, 2011 the credit balance on the carrying value of this investment was $159 thousand, included under other liability - others. Advantech (HK) Technology Co., Ltd. had been liquidated as of December 31, 2012.

The market values of the listed equity-method investees, which were calculated on the basis of the closing prices of December 31, 2012 and 2011, were $554,526 thousand and $399,464 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the years ended December 31, 2012 and 2011.

9. PROPERTIES

The changes in properties were as follows:

	Year Ended December 31, 2012				
	Beginning Balance	Acquisition	Disposal	Re-classification	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	11,255	8,708	52,236	598,602
Furniture and fixtures	144,116	13,797	4,346	-	153,567
Other equipment	281,299	38,093	4,664	5,943	320,671
	4,799,907	$ 63,145	$ 41,761	$ 58,179	4,879,470
Accumulated depreciation					
Buildings	222,154	$ 31,370	$ 935	$ -	252,589
Machinery and equipment	395,271	72,854	8,708	-	459,417
Furniture and fixtures	91,803	20,523	4,300	-	108,026
Other equipment	183,695	42,450	4,630	-	221,515
	892,923	$ 167,197	$ 18,573	$ -	1,041,547
	3,906,984				
Construction in progress and prepayments for equipment	23,118	$ 177,730	$ -	$ (61,110)	139,738
	$ 3,930,102				$ 3,977,661

	Year Ended December 31, 2011				
	Beginning Balance	Acquisition	Disposal	Re-classification	Ending Balance
Properties					
Cost					
Land	$ 1,113,352	$ 1,500,589	$ -	$ -	$ 2,613,941
Buildings	1,182,812	33,920	-	-	1,216,732
Machinery and equipment	451,039	52,233	6,053	46,600	543,819
Furniture and fixtures	115,997	20,964	4,845	12,000	144,116
Other equipment	242,815	33,889	1,078	5,673	281,299
	3,106,015	$ 1,641,595	$ 11,976	$ 64,273	4,799,907
Accumulated depreciation					
Buildings	181,600	$ 40,554	$ -	$ -	222,154
Machinery and equipment	337,884	63,352	5,965	-	395,271
Furniture and fixtures	79,777	16,808	4,782	-	91,803
Other equipment	144,310	40,015	630	-	183,695
	743,571	$ 160,729	$ 11,377	$ -	892,923
	2,362,444				3,906,984
Construction in progress and prepayments for equipment	13,964	$ 74,792	$ -	$ (65,638)	23,118
	$ 2,376,408				$ 3,930,102

10. BONDS PAYABLE

	December 31	
	2012	2011
Unsecured domestic convertible bonds	$ 190,200	$ 800,000
Deduct: Unamortized discount on bonds payable	(5,540)	(39,669)
	$ 184,660	$ 760,331

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 agreed 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 December 30, 2012, bondholders had converted $609,800 thousand worth of bonds into 7,650 thousand common shares. As of December 31, 2012, the conversion price was NT$78.22 per share.

11. 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 $77,549 thousand in 2012 and $67,631 thousand in 2011.

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 base points, and the benefits are based on employees' average monthly salaries or wages for the six months before retirement.

Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and makes monthly contributions at 2% of salaries and wages to a pension fund, which is administered by a pension plan committee and deposited in the committee's names in the Bank of Taiwan. The pension costs under the defined benefit pension plan were $9,064 thousand for 2012 and $8,045 thousand for 2011. As of December 31, 2012 and 2011, the pension fund balances were $116,527 thousand and $116,891 thousand, respectively.

Other information on the defined benefit pension plan is summarized as follows:

a. Components of net pension cost:

	2012	2011
Service cost	$ 3,338	$ 3,882
Interest cost	5,401	4,591
Projected return on plan assets	(2,449)	(2,250)
Amortization	2,774	1,822
Net periodic pension cost	$ 9,064	$ 8,045

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2012 and 2011

	December 31	
	2012	2011
Benefit obligation		
Vested benefit obligation	$ 16,493	$ 13,931
Non-vested benefit obligation	147,659	154,359
Accumulated benefit obligation	164,152	168,290
Additional benefits based on future salaries	89,944	101,743
Projected benefit obligation	254,096	270,033
Fair value of plan assets	(116,527)	(116,891)
Funded status	137,569	153,142
Unrecognized net transition obligation	(5,466)	(7,289)
Unrecognized net gain	(30,959)	(43,175)
Accrued pension cost	$ 101,144	$ 102,678
Vested benefit	$ 19,425	$ 16,726

c. Actuarial assumptions as of December 31, 2012 and 2011

	2012	2011
Discount rate used in determining present values	1.875%	2.000%
Future salary increase rate	3.250%	3.250%
Expected rate of return on plan assets	1.875%	2.000%

	Years Ended December 31	
	2012	2011
d. Contributions to the fund	$ 10,598	$ 9,578
e. Payments from the fund	$ 11,973	$ 2,495

12. SHAREHOLDERS' EQUITY

Capital Surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and conversion of bonds) 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.

The bonus to employees and remunerations to directors and supervisors of $72,000 thousand for both 2012 and 2011 (classified under accrued expenses) were estimated and accrued on the basis of past experience. 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 should 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 available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

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

The appropriations of earnings for 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 approved in the shareholders' meetings on June 13, 2012 and May 25, 2011, respectively, were as follows:

	Cash	
	Years Ended December 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.

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 under the Executive Yuan of the ROC. The board of directors resolved July 17, 2011 as the date of issuance, and the Company then completed its revised registration with the Ministry of Economic Affairs.

The Company will hold a shareholders' meeting on March 22, 2013 to discuss the appropriation of the 2012 earnings and dividends per share, proposed as follows:

	Appropriation of Earnings	Dividends Per Share (Dollars)
Legal reserve	$ 346,239	$ -
Special reserve (reversal of special reserve)	(545,303)	-
Cash dividends	2,763,586	4.9

The appropriation from the 2012 earnings of the bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting on June 13, 2013.

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.

Qualified employees of the Company and its subsidiaries were granted stock options at 3,000 thousand units in July 2010 and 10,000 thousand units in December 2009. Each option entitles the holder to subscribe for one thousand common shares of the Company. The holders of such these shares include employees of the Parent Company and both domestic and overseas subsidiaries in which the Parent Company directly or indirectly invests over 50% in, who meet certain criteria. Options issued in July 2010 and December 2009 are valid for 5 years. Both are exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the grant date. For any changes in the Company's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Information on employee stock options is as follows:

	Year Ended December 31			
	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 year	11,801	$53.05	13,000	$60.35
Options granted	-	-	-	-
Options exercised	3,351	51.08	1,199	51.01
Balance, end of year	8,450	50.46	11,801	53.05
Options exercisable, end of year	8,450	50.46	4,000	51.01
Weighted-average fair value of options granted (NT$)	$16.45-$20.45		$16.45-$20.25	

Information on outstanding options as of December 31, 2012 and 2011 is as follows:

	December 31			
	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	$56.10	2.53	$59.03	3.53
Issuance in 2009	48.40	1.92	51.01	2.92

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

Compensation costs recognized were $45,406 thousand in 2012 and $82,474 thousand in 2011.

13. INCOME TAX

a. Reconciliations 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:

	December 31	
	2012	**2011**
Tax on pretax income at statutory rate	$ 671,245	$ 687,718
Deduct tax effects of adjustments:		
Permanent differences		
Tax-exempt income	(52,680)	(38,440)
Other	(68,149)	(28,855)
Temporary differences	(58,075)	(56,112)
Additional 10% income tax on unappropriated earnings	50,884	862
Investment tax credit	(88,731)	(168,560)
Income tax currently payable	$ 454,494	$ 396,613

b. Income tax expense consisted of the following:

	December 31	
	2012	**2011**
Income tax currently payable	$ 454,494	$ 396,613
Income tax expense		
Temporary differences	31,622	96,052
	$ 486,116	$ 492,665

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 changes in income tax payable, which is shown in the balance sheets, consisted of the following:

	December 31	
	2012	**2011**
Balance, beginning of year	$ 331,218	$ 365,056
Income tax currently payable	454,494	396,613
Payment	(448,750)	(430,451)
Balance, end of year	$ 336,962	$ 331,218

d. Net deferred income tax assets (liabilities) as of December 31, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 26,076	$ 19,904
Unrealized product warranty reserve	5,920	6,446
Unrealized foreign exchange losses	-	5,321
	31,996	31,671
Deferred income tax liabilities		
Unrealized foreign exchange gain	(7,168)	-
Deferred income tax liabilities, net	$ 24,828	$ 31,671
Noncurrent		
Deferred income tax assets		
Deferred credits	$ 43,572	$ 34,028
Accumulated equity in the net loss of foreign investees	31,116	30,406
Translation adjustments	21,372	-
Pension cost	17,195	17,465
	113,255	81,899
Valuation allowance	(31,116)	(30,406)
	82,139	51,493
Deferred income tax liabilities		
Accumulated equity in the net gains of foreign investees	(541,520)	(507,467)
Deferred income tax liabilities, net	$ (459,381)	$ (455,974)

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

e. As of December 31, 2012, the Company's five years' exemption from income tax 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:

	December 31	
	2012	2011
Balance of the imputation credit account (ICA)	$ 349,345	$ 209,393

The expected and actual creditable tax ratios for the earnings of 2012 and 2011, respectively, were 11.58% 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.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	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	$ 385,838	$ 1,637,795	$ 2,023,633	$ 299,173	$ 1,410,588	$ 1,709,761
Insurance	33,963	97,837	131,800	30,402	81,611	112,013
Pension	19,542	67,071	86,613	18,091	57,585	75,676
Others	23,289	62,295	85,584	27,523	52,983	80,506
	$ 462,632	$ 1,864,998	$ 2,327,630	$ 375,189	$ 1,602,767	$ 1,977,956
Depreciation	$ 31,313	$ 135,884	$ 167,197	$ 30,998	$ 129,731	$ 160,729
Amortization	91	68,639	68,730	9,868	55,313	65,181

15. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator) (Thousands)	Earnings Per Share	
	Pretax	After-tax		Pretax	After-tax
2012					
Basic EPS					
Net income	$ 3,948,503	$ 3,462,387	556,959	$ 7.09	$ 6.22
The impact of dilutive potential common stock					
Convertible bonds	11,854	11,854	7,351		
Bonuses to employees	-	-	511		
Diluted EPS	$ 3,960,357	$ 3,474,241	564,821	$ 7.01	$ 6.15
2011					
Basic EPS					
Net income	$ 4,045,403	$ 3,552,738	551,797	$ 7.33	$ 6.44
The impact of dilutive potential common shares					
Bonuses to employees	-	-	481		
Diluted EPS	$ 4,045,403	$ 3,552,738	552,278	$ 7.32	$ 6.43

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 an anti-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, which 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 decides to grant bonuses to employees by cash or shares, the Company should assume that the entire amount of the bonus will be settled in shares, and, if the shares have a dilutive effect, the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. 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. The dilutive effect of the potential shares needs to 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.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

Related Party	Relationship with the Company
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 Intelligate 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 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 (liquidated as of December 2012)
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 Industrial Computing India Private Limited (AIN)	Equity-method investee
Advantech Europe B.V. (AEU)	Equity-method investee of AEUH
Advantech Poland Sp. Z o.o. (APL)	Equity-method investee of AEUH
DLoG GmbH (A-DLoG)	Equity-method investee of AEU
Innocore Holding Limited (Innocore)	Equity-method investee of AEU (liquidated as of December 2012)
Innocore Gaming Ltd. (UK) (IGL)	Equity-method investee of Innocore (liquidated as of December 2012)
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)
Advantech Electronics, S. De R. L. De C.V. (AMX)	Equity-method investee of ANA
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)
Xi’an Advantech Software Ltd. (AXA)	Equity-method investee of AAC (HK)
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Advantech International PT (AID)	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 ceased to be Avalue’s director on June 9, 2011.

(Continued)

Related Party	Relationship with the Company
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.

	2012		2011	
	Amount	% to Total	Amount	% to Total
For the year				
Sales				
ANA	$ 5,725,064	29	$ 5,299,400	28
AEU	2,287,520	12	2,369,391	13
ACN	2,040,739	11	2,168,638	12
AiSC	1,808,316	9	1,686,624	9
AKMC	552,028	3	424,309	2
AKR	450,791	2	391,402	2
AJP	342,516	2	360,905	2
AAU	182,368	1	166,614	1
ASG	124,034	1	120,936	1
ABR	96,991	1	90,944	1
ACA	81,011	-	44,244	-
AMY	50,936	-	37,871	-
A-DLoG	37,316	-	14,844	-
Axiomtek	36,777	-	26,895	-
ATH	35,719	-	52,863	1
Advansus Corp.	12,298	-	10,288	-
APL	10,774	-	10,324	-
Netstar	1,693	-	6,519	-
Broadwin	1,366	-	2,158	-
AiST	-	-	26,378	-
Innocore	-	-	6,151	-
Others	1,978	-	22,031	-
	$ 13,880,235	71	$ 13,339,729	72

	2012 Amount	2012 % to Total	2011 Amount	2011 % to Total
Purchase				
ATC	$ 7,228,877	50	$ 6,504,451	48
ACA	2,035,310	14	403,886	3
Advansus Corp.	565,184	4	1,156,603	9
Netstar	106,554	1	75,629	1
ANA	82,760	1	142,695	1
A-DLoG	34,454	-	4,489	-
Jan Hsiang	20,621	-	19,960	-
Cermate	7,322	-	14,582	-
AEU	3,780	-	1,741	-
AiSC	2,369	-	-	-
ACN	1,585	-	12,994	-
Broadwin	237	-	190	-
Axiomtek	193	-	130	-
ASG	94	-	13	-
AiST	-	-	413,480	3
AKR	-	-	4,713	-
BCM	-	-	2,285	-
Advantofine	-	-	315	-
Others	123	-	199	-
	$ 10,089,463	70	$ 8,758,355	65
Operating expenses				
Rental cost				
K&M	$ 5,360	-	$ 4,914	-
AIDC	3,491	-	3,491	-
	8,851	-	8,405	-
Administration expense				
ASG	6,164	-	5,146	-
AAC (HK)	5,475		-	-
AHK	-	-	5,693	-
AMY	-	-	459	-
	11,639	-	11,298	-
	$ 20,490	-	$ 19,703	-
Nonoperating income				
Royalty revenue for patent				
ATC	$ 364,848	100	$ 325,933	100
Rental revenues				
Advansus Corp.	60	-	7,020	21
BCM	60	-	780	2
Advantech Fund-A	36	-	36	-
	156	-	7,836	23

(Continued)

	2012		2011	
	Amount	% to Total	Amount	% to Total
Other income				
ANA	$ 20,924	14	$ 23,941	16
AJP	15,357	10	17,249	11
ACN	14,141	10	33,447	22
AEU	13,740	9	15,547	10
A-DLoG	9,900	7	6,479	4
AKR	7,354	5	5,936	4
AiSC	6,483	4	-	-
ACA	5,040	3	-	-
ABR	4,532	3	1,356	1
AAU	3,569	2	3,115	2
ASG	3,338	2	2,810	2
AMY	2,438	2	1,763	1
ATH	2,286	2	509	-
AIDC	1,500	1	1,500	1
Axiomtek	1,322	1	-	-
Netstar	960	1	960	1
Broadwin	960	1	960	1
Cermate	720	1	720	-
K&M	500	-	500	-
Advansus Corp.	51	-	17,010	11
	115,115	78	133,802	87
	$ 480,119		$ 467,571	

(Concluded)

	2012		2011	
	Amount	% to Total	Amount	% to Total
Nonoperating expense				
Interest expense				
Advantech Fund-A	$ -	-	$ 1,783	12

Other revenues were mainly from management services and technical support.

	2012		2011	
	Amount	% to Total	Amount	% to Total
At year-end				
Accounts receivable - related parties				
AEU	$ 753,188	28	$ 815,784	34
ACN	599,673	22	485,057	20
ANA	582,220	22	502,568	21
AiSC	554,476	20	419,478	18
AKR	54,162	2	24,000	1
AKMC	50,263	2	-	-
AJP	37,212	1	29,205	1
ABR	26,699	1	22,006	1
AAU	22,911	1	43,870	2
ASG	15,314	1	27,414	1
ACA	9,770	-	4,634	-
AMY	7,369	-	6,277	1
Axiomtek	3,377	-	3,464	-
Advansus Corp.	3,128	-	230	-
ATH	2,003	-	3,078	-
A-DLoG	1,717	-	2,124	-
APL	393	-	807	-
Broadwin	184	-	355	-
Netstar	6	-	4,009	-
Others	-	-	40	-
	$ 2,724,065	100	$ 2,394,400	100
Other receivables - related parties				
ACN	$ 3,550	22	$ 4,955	16
ANA	3,017	19	11,617	37
AEU	1,460	10	2,292	7
AKR	1,237	8	934	3
AJP	1,164	7	1,876	6
AIN	1,063	7	-	-
ABR	919	6	470	2
AAU	681	4	1,075	3
A-DLoG	560	3	1,409	5
ASG	550	3	957	3
ACA	441	3	-	-
AMY	407	3	547	2
Broadwin	252	2	270	1
ATH	187	1	-	-
Netstar	168	1	252	1
AiSC	163	1	343	2
AKMC	124	-	102	-
Advansus Corp.	17	-	3,909	12
BCM	-	-	137	-
Others	146	-	185	-
	$ 16,106	100	$ 31,330	100

	2012		2011	
	Amount	% to Total	Amount	% to Total
Accounts payable - related parties				
ATC	$ 1,328,515	94	$ 1,156,197	82
Netstar	29,776	2	19,952	2
Advansus Corp.	29,052	2	63,319	4
ACA	19,617	1	130,522	9
ANA	11,331	1	34,865	3
A-DLoG	2,342	-	1,081	-
AiSC	1,695	-	40	-
Jan Hsiang	1,280	-	1,266	-
AEU	986	-	1,220	-
AAC (HK)	837	-	1,454	-
ACN	686	-	505	-
Cermate	639	-	905	-
AJP	360	-	856	-
Broadwin	47	-	21	-
AKMC	-	-	645	-
ASG	-	-	431	-
Others	108	-	63	-
	$ 1,427,271	100	$ 1,413,342	100
Acquisition of assets				
ACA	$ 6,850	-	$ 16,403	-
Advansus Corp.	2,470	-	21	-
ANA	1,377	-	-	-
AKMC	142	-	-	-
Netstar	-	-	667	-
Broadwin	-	-	306	-
BCM	-	-	10	-
	$ 10,839	-	$ 17,407	-
Disposal of assets				
Advansus Corp.	$ 16	-	$ 48	-
ANA	8	-	256	-
AKMC	-	-	89	-
AJP	-	-	10	-
	$ 24	-	$ 403	-

Financing from related parties was as follows:

	Year Ended December 31, 2011			
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Other payable - related parties				
Advantech Fund-A	$ 300,000	$ -	1.2%	$ 1,783

Operating lease contracts with related parties 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.

c. The compensation of directors, supervisors and management personnel was as follows:

	December 31	
	2012	**2011**
Salaries and incentives	$ 53,786	$ 49,194
Bonus	5,778	5,310
	$ 59,564	$ 54,504

17. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2012		**2011**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ 620,148	$ 620,148	$ 365,149	$ 365,149
Available-for-sale financial assets - noncurrent	2,271,747	2,271,747	2,309,762	2,309,762
Liabilities				
Convertible bonds payable	184,660	280,375	760,331	810,484
Derivative financial instrument location				
Financial assets at fair value through profit or loss - current				
Domestic	6,703	6,703	123	123
Foreign (including a foreign corporation operating locally)	10,176	10,176	57,081	57,081
Financial liabilities at fair value through profit or loss - current				
Domestic	490	490	12,294	12,294
Foreign (including a foreign corporation operating locally)	9,130	9,130	41,222	41,222

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

1) For financial instruments such as cash, notes and accounts receivable, receivables from related parties, other receivables, other receivables from related parties, refundable deposits, accounts payable, payables to related parties and accrued expenses, the carrying amounts of these financial instruments approximate their fair values.

2) Fair values of available-for-sale financial assets are based on their quoted market prices.

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 fair values of the Company's financial assets and liabilities were based on the quoted market prices or estimates made using certain valuation techniques, as follows:

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2012	2011	2012	2011
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 16,879	$ 57,204
Available-for-sale financial assets - current	620,148	365,149	-	-
Available-for-sale financial assets - noncurrent	2,271,747	2,309,762	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	9,620	53,516
Convertible bonds payable	280,375	810,484	-	-

d. As of December 31, 2012 and 2011, financial assets exposed to fair value risk from interest rate fluctuation amounted to $470,000 thousand and $0 thousand, respectively, and financial assets exposed to cash flow from interest risk fluctuation amounted to $601,551 thousand and $749,973 thousand, respectively.

e. The Company recognized an unrealized gain of $819,730 thousand in 2012 and an unrealized loss of $184,625 thousand in 2011 in shareholders' equity for the changes in fair value of available-for-sale financial assets. The Company also recognized unrealized losses of $2,194 thousand and $60,185 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees in 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 exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if counter-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's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant. In addition, the Groups investments in mutual funds and publicly traded stock are easily valued at its market value, to the exception of those long-term equity investments valued under the equity method which exhibit higher cash flow risk due to the lack of an active market. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

18. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 16 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 December 31, 2012, accumulated inward remittance of earnings as of December 31, 2012 and maximum allowable limit on investment: Table 8 (attached).

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and Tables 1, 5 and 6.

19. 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."

20. SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant foreign-currency financial assets and liabilities were as follows:

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 103,240	29.040	$ 2,998,090	$ 598,596	30.275	$ 18,122,494
EUR	19,720	38.490	759,023	20,918	39.180	819,567
JPY	114,227	0.336	38,380	92,984	0.391	36,357
Nonmonetary items						
USD	581	29.040	16,872	1,889	30.275	57,204
Investments accounted for by the equity method						
USD	186,524	29.040	5,416,666	167,771	30.275	5,079,255
EUR	23,688	38.490	911,751	23,683	39.180	927,895
JPY	500,366	0.336	168,123	497,362	0.391	194,469
KRW	5,715,619	0.027	154,322	5,412,795	0.026	140,733
SGD	4,774	23.760	113,430	4,268	23.310	99,476
Financial liabilities						
Monetary items						
USD	64,853	29.040	1,883,331	63,101	30.275	1,910,383
Nonmonetary items						
USD	331	29.040	9,620	1,768	30.275	53,516

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 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	$ 28,868 (EUR 750 thousand)	$ 28,868 (EUR 750 thousand)	$ 28,868 (EUR 750 thousand)	$ 28,868 (EUR 750 thousand)	4.0%	Short-term financing	$ -	Financing need	$ -	-	-	$ 1,770,198 (Note B)	$ 3,540,396 (Note B)
2	ANA	AKMC	Other receivable - related parties	165,648 (US$ 5,600 thousand)	139,392 (US$ 4,800 thousand)	165,648 (US$ 5,600 thousand)	139,392 (US$ 4,800 thousand)	2.0%	Short-term financing	-	Financing need	-	-	-	1,770,198 (Note B)	3,540,396 (Note B)
3	AiSC	ACN	Other receivable - related parties	239,791 (RMB 50,911 thousand)	142,279 (RMB 30,532 thousand)	239,791 (RMB 50,911 thousand)	142,279 (RMB 30,532 thousand)	2.0%	Short-term financing	-	Financing need	-	-	-	242,320 (Note C)	242,320 (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	-	-	-	373,409 (Note D)	373,409 (Note D)

Note A. The exchange rates as of December 31, 2012 were EUR1.00=NT$38.49; US$1.00=NT$29.04; and RMB1.00=NT$4.66.

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

Note C. The maximum amount of financing that can be provided by the financier is RMB52,000 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.

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

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

TABLE 2

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 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")	AAU	Subsidiary	$ 1,770,198 (Note A)	$ 5,916 (US$ 200 thousand)	$ -	$ -	-	$ 5,310,594 (Note B)
		Cermate Technologies Inc.	Indirect subsidiary	1,770,198 (Note A)	40,000	-	-	-	5,310,594 (Note B)
		ACA	Subsidiary	1,770,198 (Note A)	50,000	-	-	-	5,310,594 (Note B)
		A-DLoG	Indirect subsidiary	1,770,198 (Note A)	59,325 (EUR 1,500 thousand)	-	-	-	5,310,594 (Note B)
		Advansus Corp.	Subsidiary	1,770,198 (Note A)	1,000	-	-	-	5,310,594 (Note B)
		AiST	Subsidiary	1,770,198 (Note A)	200,000	-	-	-	5,310,594 (Note B)
		Advantech Fund-A	Subsidiary	1,770,198 (Note A)	300,000	-	-	-	5,310,594 (Note B)
		AKMC	Indirect subsidiary	1,770,198 (Note A)	599,800 (US$ 20,000 thousand)	-	-	-	5,310,594 (Note B)
1	AAC (HK)	AiSC	Subsidiary	1,770,198 (Note A)	587,580 (RMB124,670 thousand)	-	-	-	5,310,594 (Note B)

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

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

C. The exchange rates as of December 31, 2012 were US$1.00=NT$29.04; RMB1.00=NT$4.66; EUR1.00=NT$38.49.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars/Foreign Currency)

Holding Company	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd. (the "Company")	Stock							
	AAC (BVI)	Subsidiary	Long-term equity investments	29,623,834	$ 2,589,026	100.00	$ 2,588,261	Note A
	ATC	〃	〃	38,750,000	2,820,584	100.00	2,828,405	Note A
	Advansus Corp.	〃	〃	36,000,000	552,834	100.00	575,380	Note A
	Advantech Fund-A	〃	〃	90,000,000	929,538	100.00	933,522	Note A
	Axiomtek	Equity-method investee	〃	20,537,984	338,617	26.55	338,617	Note A
	AEUH	Subsidiary	〃	9,572,024	911,637	100.00	911,767	Note A
	ASG	〃	〃	1,450,000	113,421	100.00	113,421	Note A
	AAU	〃	〃	500,204	77,113	100.00	77,113	Note A
	AJP	〃	〃	1,200	168,123	100.00	168,123	Note A
	AMY	〃	〃	2,000,000	39,628	100.00	39,628	Note A
	AKR	〃	〃	600,000	154,322	100.00	154,322	Note A
	ABR	〃	〃	971,055	33,129	43.28	33,129	Note A
	AiST	〃	〃	5,000,000	52,673	100.00	52,673	Note A
	ACA	〃	〃	7,948,839	325,489	99.36	338,815	Note A
	AIN	〃	〃	999,999	1,424	99.99	1,424	Note A
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	5,464,461	1,784,146	0.73	1,784,146	Notes B and D
	Pegatron Corp	-	〃	9,855,570	370,077	0.43	370,077	Notes B and E
	Chunghwa Telecom Co., Ltd.	-	〃	1,243,636	117,524	0.02	117,524	Notes B and F
	Fund							
	Taishin 1699 Money Market	-	Available for sale financial assets - current	35,809,736.85	470,146	-	470,146	Note C
	Eastspring Inv Well Pool Fund	-	〃	11,359,677.70	150,002	-	150,002	Note C
Advantech Fund-A	Stock							
	Netstar Technology Co., Ltd.	Subsidiary	Long-term equity investments	23,570,533	279,171	94.28	279,171	Note A
	BCM Embedded Computer Inc.	〃	〃	4,500,000	18,007	100.00	18,007	Note A
	Broadwin Technology Inc.	〃	〃	6,777,571	150,297	100.00	150,297	Note A
	Cermate Technologies Inc.	〃	〃	5,500,000	94,518	55.00	94,518	Note A
	Axiomtek	Equity-method investee	〃	1,787,000	42,569	2.31	42,569	Note A

(Continued)

Holding Company	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2012 Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	164,952	$ 15,588	0.002	$ 15,588	Note B
	AverMedia Information Inc.	-	〃	808,500	17,464	0.823	17,464	Note B
	Taiwan 50	-	〃	170,000	9,146	-	9,146	Note B
	COBAN Research and Technologies, Inc.	-	Financial assets carried at cost - noncurrent	600,000	33,257	6.85	33,257	-
	Fund							
	Eastspring Inv Well Pool Fund	-	Available for sale financial assets - current	8,392,207.10	110,817	-	110,817	Note C
	FSITC Money Market	-	〃	522,240.28	90,497	-	90,497	Note C
	Fuh Hwa Money Market	-	〃	4,021,632.80	56,514	-	56,514	Note C
	Taishin 1699 Money Market	-	〃	839,816.46	11,026	-	11,026	Note C
Advansus Corp.	Fund							
	Taishin 1699 Money Market	-	Available for sale financial assets - current	10,697,254.15	140,444	-	140,444	Note C
AiST	Fund							
	FSITC Money Market	-	Available for sale financial assets - current	36,425.03	6,312	-	6,312	Note C
	Fuh Hwa Money Market	-	〃	2,581,311.30	36,274	-	36,274	Note C
ATC	Stock							
	ATC (HK)	Subsidiary	Long-term equity investments	41,650,001	1,978,271	100.00	1,978,271	Note A
ATC (HK)	Stock							
	AKMC	Subsidiary	Long-term equity investments	-	1,978,271	100.00	1,978,271	Note A
AAC (BVI)	Stock							
	ANA	Subsidiary	Long-term equity investments	10,952,606	1,388,064	100.00	1,388,064	Note A
	AAC (HK)	〃	〃	15,230,001	1,198,121	100.00	1,198,121	Note A
ANA	Stock							
	ABR	-	Financial assets carried at cost - noncurrent	375,192	5,585	16.72	5,585	Note A
	AMX	-	Long-term equity investment	-	903	100.00	903	Note A
AAC (HK)	Stock							
	ACN	Subsidiary	Long-term equity investments	-	619,971	100.00	619,971	Note A
	AiSC	〃	〃	-	574,047	100.00	574,047	Note A
	AXA	〃	〃	-	2,318	100.00	2,318	Note A
ACN	Stock							
	Hangzhou Advantofine Automation Co., Ltd.	Indirect Subsidiary	Long-term equity investments	-	14,578	60.00	14,578	Note A

(Continued)

Holding Company	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AEUH	Stock							
	AEU	Subsidiary	Long-term equity investments	8,609,658	$ 872,475	100.00	$ 872,475	Note A
	APL	〃	〃	6,350	40,771	100.00	40,771	Note A
AEU	Stock							
	A-DLoG	Subsidiary	Long-term equity investments	1	621,123	100.00	621,123	Note A
ASG	Stock							
	ATH	Subsidiary	Long-term equity investments	51,000	12,192	51.00	12,192	Note A
	AID	〃	〃	100,000	2,081	100.00	2,081	
Netstar Technology Co., Ltd.	Stock							
	Jan Hsiang Electronics Co., Ltd.	Subsidiary	Long-term equity investments	655,500	6,740	28.50	6,740	Note A
	Fund							
	Mega Diamond Money Market	-	Available for sale financial assets - current	3,544,332.18	43,081	-	43,081	Note C
Cermate Technologies Inc.	Stock							
	Land Mark	Subsidiary	Long-term equity investments	972,284	51,827	100.00	51,827	Note A
BCM Embedded Computer Inc.	Fund							
	FSITC Money Market	-	Available for sale financial assets - current	61,033.03	10,576	-	10,576	Note C
Broadwin Technology Inc.	Fund							
	FSITC Money Market	-	Available for sale financial assets - current	258,991.69	44,880	-	44,880	Note C
	Fuh Hwa Money Market	-	〃	469,058.20	6,591	-	6,591	Note C
	Eastspring Inv Well Pool Fund		〃	530,393.70	7,003	-	7,003	Note C
Land Mark	Stock							
	Cermate (Shanghai)	Subsidiary	Long-term equity investments	-	24,584	100.00	24,584	Note A
	Cermate (Shenzhen)	〃	〃	-	27,283	90.00	27,283	Note A
ACA	Fund							
	Union Money Market	-	Available for sale financial assets - current	1,569,883.36	20,139	-	20,139	Note C
	Taishin 1699 Money Market	-	〃	22,150,138.89	290,809	-	290,809	Note C

Note A: The financial statements used as basis of net asset values had all been audited, except those of AIN.
Note B: Market value was based on the closing price on December 31, 2012.
Note C: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2012.
Note D: The amount included $1,518,225 thousand, the carrying value of 4,650,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 6 of the financial statements for more information.
Note E: The amount included $352,970 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 F: The amount included $117,464 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)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Holding Company	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 Co., Ltd. (the "Company")	Fund													
	Mega Diamond Money Market	Available for sale financial assets - current	-	-	-	$ -	23,166,011.89	$ 280,000	23,166,011.89	$ 280,943	$ 280,000	$ 943	-	$ -
	FSITC Money Market	Available for sale financial assets - current	-	-	959,093.15	165,000	704,052.28	121,300	1,663,145.43	287,100	286,300	800	-	-
	Fuh Hwa Money Market	Available for sale financial assets - current	-	-	7,171,749.00	100,000	11,451,978.60	160,000	18,623,727.60	260,501	260,000	501	-	-
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	46,761,118.32	612,000	10,951,381.47	143,500	142,855	645	35,809,736.85	469,145
	Eastspring Inv Well Pool Money Market	Available for sale financial assets - current	-	-	7,633,879.16	100,000	25,075,457.90	330,000	21,349,659.36	280,798	280,000	798	11,359,677.70	150,000
	Yuanta Wan Tai Money Market	Available for sale financial assets - current			-	-	19,127,636.10	280,000	19,127,636.10	280,817	280,000	817	-	-
	Stock													
	Advansus Corp.	Investment accounted for by the equity method	Pegatron Corp.		18,000,000.00	228,914	18,000,000.00	306,000 (Note)	-	-	-	-	36,000,000.00	552,834
	ASUSTek Computer Inc.	Available for sale financial assets - current	-	-	7,314,461	2,159,442	-	-	1,850,000	574,086	546,174	27,912	5,464,461	1,613,268
	Pegatron Corp.	Available for sale financial assets - current	-	-	18,486,570	665,516	-	-	8,631,000	335,286	310,717	24,569	9,855,570	354,799
Advansus Corp.	Fund													
	FSITC Money Market	Available for sale financial assets - current	-	-	465,121.72	80,000	638,454.77	110,000	1,103,576.49	190,486	190,000	486	-	-
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	18,346,315.23	240,000	7,649,061.08	100,000	99,970	30	10,697,254.15	140,030
ACA	Fund													
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	22,532,600.72	295,003	382,461.83	5,000	4,995	5	22,150,138.89	290,008

Note: The Company acquired 50% of Advansus Corp. from Pegatron Corp. for $306,000 thousand (i.e., at NT$17.00 per share).

TABLE 5

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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 Co., Ltd. (the "Company")	ANA	Indirect subsidiary	Sale	$ (5,725,064)	29	45 days after month end	Contract price	No significant difference from terms for related parties	$ 582,220	16	
	AEU	Indirect subsidiary	Sale	(2,287,520)	12	45 days after month end	Contract price	No significant difference from terms for related parties	753,188	21	
	ACN	Indirect subsidiary	Sale	(2,040,739)	11	45 days after month end	Contract price	No significant difference from terms for related parties	599,673	17	
	AiSC	Indirect subsidiary	Sale	(1,808,316)	9	45 days after month end	Contract price	No significant difference from terms for related parties	554,476	16	
	AKMC	Indirect subsidiary	Sale	(552,028)	3	45 days after month end	Contract price	No significant difference from terms for related parties	50,263	1	
	AKR	Subsidiary	Sale	(450,791)	2	45 days after month end	Contract price	No significant difference from terms for related parties	54,162	2	
	AJP	Subsidiary	Sale	(342,516)	2	45 days after month end	Contract price	No significant difference from terms for related parties	37,212	1	
	AAU	Subsidiary	Sale	(182,368)	1	45 days after month end	Contract price	No significant difference from terms for related parties	22,911	1	
	ASG	Subsidiary	Sale	(124,034)	1	45 days after month end	Contract price	No significant difference from terms for related parties	15,314	-	
	ATC	Subsidiary	Purchase	7,228,877	50	45 days after month end	Contract price	No significant difference from terms for related parties	(1,328,515)	69	
	ACA	Subsidiary	Purchase	2,035,310	14	30 days after month end	Contract price	No significant difference from terms for related parties	(19,617)	1	
	Advansus Corp.	Subsidiary	Purchase	565,184	4	30 days after month end	Contract price	No significant difference from terms for related parties	(29,052)	2	
	Netstar Technology Co., Ltd.	Subsidiary	Purchase	106,554	1	60 days after month end	Contract price	No significant difference from terms for related parties	(29,776)	2	
ATC	Advantech Co., Ltd.	Ultimate parent company	Sale	(7,228,877)	99	45 days after month end	Contract price	No significant difference from terms for related parties	1,328,515	96	
Advansus Corp.	Advantech Co., Ltd.	Ultimate parent company	Sale	(565,184)	25	30 days after month end	Contract price	No significant difference from terms for related parties	29,052	9	
ACA	Advantech Co., Ltd.	Ultimate parent company	Sale	(2,035,310)	62	30 days after month end	Contract price	No significant difference from terms for related parties	19,617	13	

(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	
Netstar Technology Co., Ltd.	Advantech Co., Ltd.	Ultimate parent company	Sale	$ (106,554)	3	60 days after month end	Contract price	No significant difference from terms for related parties	$ 29,776	32	
ANA	Advantech Co., Ltd.	Ultimate parent company	Purchase	5,725,064	88	45 days after month end	Contract price	No significant difference from terms for related parties	(582,220)	92	
AEU	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,287,520	74	45 days after month end	Contract price	No significant difference from terms for related parties	(753,188)	100	
AJP	Advantech Co., Ltd.	Ultimate parent company	Purchase	342,516	90	45 days after month end	Contract price	No significant difference from terms for related parties	(37,212)	99	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,040,739	73	45 days after month end	Contract price	No significant difference from terms for related parties	(599,673)	62	
AKMC	Advantech Co., Ltd.	Ultimate parent company	Purchase	552,028	8	45 days after month end	Contract price	No significant difference from terms for related parties	(50,263)	5	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,808,316	63	45 days after month end	Contract price	No significant difference from terms for related parties	(554,476)	84	
AKR	Advantech Co., Ltd.	Ultimate parent company	Purchase	450,791	58	45 days after month end	Contract price	No significant difference from terms for related parties	(54,162)	52	
ASG	Advantech Co., Ltd.	Ultimate parent company	Purchase	124,034	16	45 days after month end	Contract price	No significant difference from terms for related parties	(15,314)	73	
AAU	Advantech Co., Ltd.	Ultimate parent company	Purchase	182,368	23	30 days upon delivery	Contract price	No significant difference from terms for related parties	(22,911)	55	
Advansus Corp.	AKMC	Related enterprise	Sale	(957,386)	34	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	101,103	32	
	ACA	Related enterprise	Sale	(211,708)	8	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	36,298	11	
	AKR	Related enterprise	Sale	(131,097)	5	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	14,938	5	
ACN	AiSC	Related enterprise	Sale	(284,041)	10	60 days after month end	Mark-up pricing	No significant difference from terms for related parties	29,909	6	
AKMC	ATC	Related enterprise	Sale	(6,636,409)	92	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	500,419	87	
	Netstar Technology Co., Ltd.	Related enterprise	Sale	(270,282)	4	Next 60 days after month end	Mark-up pricing	No significant difference from terms for related parties	34,368	6	
	AiSC	Related enterprise	Sale	(216,458)	3	30 days upon delivery	Mark-up pricing	No significant difference from terms for related parties	32,757	6	

(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	
AiSC	ACN	Related enterprise	Sale	$ (141,855)	4	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	$ 166,774	25	
	AKMC	Related enterprise	Sale	(203,196)	6	Immediate payment	Mark-up pricing	No significant difference from terms for related parties	49,929	7	
ACA	Advansus Corp.	Related enterprise	Sale	(497,365)	15	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	37,522	25	
	AKMC	Related enterprise	Sale	(747,521)	23	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	92,265	62	
AKMC	Advansus Corp.	Related enterprise	Purchase	957,386	15	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(101,103)	11	
AKR	Advansus Corp.	Related enterprise	Purchase	131,097	17	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(14,938)	14	
ACA	Advansus Corp.	Related enterprise	Purchase	211,708	7	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(36,298)	6	
AiSC	ACN	Related enterprise	Purchase	284,041	10	60 days after month end	Mark-up pricing	No significant difference from terms for related parties	(29,909)	5	
ATC	AKMC	Related enterprise	Purchase	6,636,409	100	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(500,419)	99	
Netstar Technology Co., Ltd.	AKMC	Related enterprise	Purchase	270,282	64	Next 60 days after month end	Mark-up pricing	No significant difference from terms for related parties	(34,368)	99	
AiSC	AKMC	Related enterprise	Purchase	216,458	8	Immediate payment	Mark-up pricing	No significant difference from terms for related parties	(32,757)	5	
ACN	AiSC	Related enterprise	Purchase	141,855	5	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(166,774)	17	
AKMC	AiSC	Related enterprise	Purchase	203,196	3	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(49,929)	5	
Advansus Corp.	ACA	Related enterprise	Purchase	497,365	20	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(37,522)	9	
AKMC	ACA	Related enterprise	Purchase	747,521	11	Immediate payment	Mark-up pricing	No significant difference from terms for related parties	(92,265)	10	

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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 Co., Ltd. (the "Company")	AEU	Indirect subsidiary	$ 753,188	2.92	$ -	-	$ 236,936	$ -
	AiSC	Indirect subsidiary	554,476	3.71	-	-	235,697	-
	ACN	Indirect subsidiary	599,673	3.76	-	-	176,759	-
	ANA	Indirect subsidiary	582,220	10.56	-	-	582,220	-
ATC	Advantech Co., Ltd.	Parent company	1,328,515	5.82	-	-	602,798	-
AKMC	ATC	Related enterprise	500,419	15.22	-	-	30,405	-
Advansus Corp.	AKMC	Related enterprise	101,103	14.12	-	-	42,154	-
ANA	AKMC	Related enterprise	139,392	0.08	-	-	3,879	-
AiSC	ACN	Related enterprise	166,774	1.67	-	-	166,774	-

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment and management service	$ 993,108	$ 993,108	29,623,834	100.00	$ 2,589,026	$ 246,153	$ 249,066	Subsidiary
(the "Company")	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	2,820,584	264,353	264,155	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	180,000	36,000,000	100.00	552,834	126,464	118,073	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment holding company	900,000	900,000	90,000,000	100.00	929,538	76,444	74,890	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	26.55	338,617	177,881	46,925	Equity-method investee
	AEUH	Helmond, The Netherlands	Investment and management service	1,146,489	1,146,489	9,572,024	100.00	911,637	(28)	(158)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	113,421	12,128	12,128	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	77,113	2,815	2,815	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	168,123	1,114	1,114	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	39,628	2,585	2,585	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	154,322	37,740	37,740	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	33,129	18,800	11,280	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	52,673	(876)	(876)	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	-	-	-	360	360	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of portable industrial computing products	141,562	141,562	7,948,839	99.36	325,489	186,491	171,972	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	-	999,999	99.99	1,424	(4,020)	(4,020)	Subsidiary
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	287,564	274,078	23,570,533	94.28	279,171	60,160	55,992	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	4,500,000	100.00	18,007	192	192	Indirect subsidiary
	Broadwin Technology Inc.	Taipei, Taiwan	Assembly and production of computers	142,063	142,063	6,777,571	100.00	150,297	3,368	3,368	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	94,518	19,622	10,792	Indirect subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	40,816	35,329	1,787,000	2.31	42,569	177,881	3,609	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	1,978,271	184,065	184,065	Indirect subsidiary
ATC (HK)	AKMC	Jiangsu, China	Production and sale of industrial automation products	1,212,730	1,212,730	-	100.00	1,978,271	184,065	184,065	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,388,064	167,481	167,481	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,198,121	77,109	77,109	Indirect subsidiary
ANA	AMX	Mexico	Sale of industrial automation products	2,047	-	-	100.00	903	(1,080)	(1,080)	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	619,971	17,409	17,409	Indirect subsidiary
	AiSC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	574,047	57,057	57,057	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	2,318	1,100	1,100	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processing and sale of peripherals	13,727	13,727	-	60.00	14,578	(1,191)	(714)	Indirect subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	316,403	316,403	8,609,658	100.00	730,253	(2,094)	(4,675)	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	40,771	2,001	2,001	Indirect subsidiary
AEU	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	621,123	34,273	34,273	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount December 31, 2012	Investment Amount December 31, 2011	Balance as of December 31, 2012 Shares	Balance as of December 31, 2012 Percentage of Ownership	Balance as of December 31, 2012 Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
ASG	ATH	Thailand	Production of computers	$ 7,537	$ 7,537	51,000	51.00	$ 12,192	$ 2,761	$ 1,408	Indirect subsidiary
	AID	Indonesia	Sale of industrial automation products	3,330	-	300,000	100.00	2,081	(5,248)	(5,248)	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	6,740	(1,999)	(977)	Indirect subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	51,827	9,076	8,915	Indirect subsidiary
LandMark	Cermate (Shanghai)	Shanghai, China	Sale of industrial electronic products	US$ 572	US$ 572	-	100.00	24,584	1,495	1,495	Indirect subsidiary
	Cermate (Shenzhen)	Shenzhen, China	Manufacture of LCD touch panels, USB data cables and industrial automation products	US$ 308	US$ 308	-	90.00	27,283	8,424	7,581	Indirect subsidiary

Note A: The financial statements used as basis of net asset values had all been audited, except those of AIN.

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 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 December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$41,650 thousand	Indirect	$ 1,083,192 (US$ 37,300 thousand)	$ -	$ -	$ 1,083,192 (US$ 37,300 thousand)	100	$ 184,065	$ 1,978,271	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	154,841 (US$ 5,332 thousand)	-	-	154,841 (US$ 5,332 thousand)	100	17,409	619,971	326,264 (US$ 11,235 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US$8,000 thousand	Indirect	232,320 (US$ 8,000 thousand)	-	-	232,320 (US$ 8,000 thousand)	100	57,057	574,047	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US$1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100	1,100	2,318	-

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Maximum Allowable Limit on Investment
$1,476,161 (US$50,832 thousand) (Note D)	$2,003,760 (US$69,000 thousand)	$10,686,144 (Note F)

Note A: The financial statements used as basis of net asset values were reviewed by independent CPAs.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. (the "Company") and its investees in Mainland China are described in Note 17 of the financial statements and Tables 1, 4 and 5.

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

Note D: Included is 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. When this investee was liquidated in September 2005, the outward investment remittance ceased upon the approval of the Ministry of Economic Affairs (MOEA). For each future capital return, the Company will apply to the MOEA for the approval of the return as well as reduce the accumulated investment amount by the return amount.

Note E: The exchange rate was US$1.00=NT$29.04.

Note F: The maximum allowable limit on investment was based on 60% of the consolidated net asset value of the "Company".