Advantech Co., Ltd.

Financial Statements for the
Years Ended December 31, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009 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 9.41% (NT$1,632,267 thousand) and 5.03% (NT$807,459 thousand) of the Company's total assets as of December 31, 2010 and 2009, respectively. Also, the equity in the investees' net gains was 4.45% (NT$148,899 thousand) and that in net losses was -6.57% (NT$127,427 thousand) of the Company's income before income tax in 2010 and 2009, 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, 2010 and 2009, 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.

As disclosed in Note 3 to the accompanying financial statements, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories" on January 1, 2009.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2010 and 2009, and have expressed a modified unqualified opinion on those consolidated financial statements in our report (not presented herewith) dated March 11, 2011.

March 11, 2011

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 752,681	5	$ 1,706,903	11
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 18)	47,434	-	11,074	-
Notes receivable (Note 2)	44,009	-	21,154	-
Accounts receivable, net of allowance for doubtful accounts of $5,500 thousand in 2010 and $16,218 thousand in 2009 (Note 2)	709,650	4	598,536	4
Accounts receivable - related parties, net (Notes 2 and 16)	1,952,057	11	1,478,520	9
Other receivable	48,561	-	39,159	-
Other receivable - related parties (Note 16)	38,716	-	31,402	-
Inventories, net (Notes 2 and 7)	1,314,920	8	829,539	5
Deferred income tax assets - current (Notes 2 and 13)	33,651	-	22,936	-
Prepayments and other current assets	14,091	-	110,918	1
Total current assets	4,955,770	28	4,850,141	30
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 18)	2,662,177	15	2,990,806	19
Investments accounted for by the equity method (Notes 2 and 8)	7,242,511	42	5,692,704	35
Total long-term investments	9,904,688	57	8,683,510	54
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 9)				
Cost				
Land	1,113,352	6	1,113,352	7
Buildings	1,182,812	7	1,182,812	7
Machinery and equipment	451,039	3	404,105	3
Furniture and fixtures	115,997	1	102,026	1
Other equipment	242,815	1	196,481	1
Total cost	3,106,015	18	2,998,776	19
Less: Accumulated depreciation	743,571	4	628,161	4
	2,362,444	14	2,370,615	15
Construction in progress and prepayments for equipment	13,964	-	9,390	-
Property, plant and equipment, net	2,376,408	14	2,380,005	15
OTHER ASSETS				
Refundable deposits (Note 16)	7,025	-	6,690	-
Deferred expenses, net (Note 2)	97,627	1	121,689	1
Total other assets	104,652	1	128,379	1
TOTAL	$ 17,341,518	100	$ 16,042,035	100

	2010		2009	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 18)	$ 35,755	-	$ -	-
Accounts payable	513,385	3	432,788	3
Accounts payable - related parties (Note 16)	1,183,816	7	1,113,993	7
Income tax payable (Notes 2 and 13)	365,056	2	144,401	1
Accrued expenses (Note 11)	903,697	5	707,694	4
Receipts in advance and other current liabilities (Note 16)	84,038	1	86,176	-
Total current liabilities	3,085,747	18	2,485,052	15
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 10)	104,210	1	102,965	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	362,792	2	284,704	2
Deferred credits (Note 2)	249,608	1	184,653	1
Others (Notes 2 and 8)	5,722	-	7,171	-
Total other liabilities	722,332	4	579,493	4
Total liabilities	3,808,079	22	3,064,545	19
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued and outstanding - 501,634 thousand shares in 2010 and 516,134 thousand shares in 2009	5,016,337	29	5,161,337	32
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	4,253,103	25	4,376,041	27
From treasury stock	-	-	13,612	-
From long-term equity investments	59,898	-	59,911	1
Employee stock options	79,849	-	5,257	-
Total capital surplus	4,392,850	25	4,454,821	28
Retained earnings				
Legal reserve	2,102,592	12	1,927,459	12
Special reserve	70,136	-	1,135,596	7
Unappropriated earnings	2,573,186	15	1,754,111	11
Total retained earnings	4,745,914	27	4,817,166	30
Other equity				
Cumulative translation adjustments	(215,759)	(1)	227,050	2
Net loss not recognized as pension cost	(2,121)	-	(2,353)	-
Unrealized loss on financial instruments	(403,782)	(2)	(294,833)	(2)
Treasury stock - 14,500 thousand shares	-	-	(1,385,698)	(9)
Total other equity	(621,662)	(3)	(1,455,834)	(9)
Total shareholders' equity	13,533,439	78	12,977,490	81
TOTAL	$ 17,341,518	100	$ 16,042,035	100

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

(With Deloitte & Touche audit report dated March 11, 2011)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 16)				
Sales	$ 16,331,113	100	$ 10,712,139	100
Sales returns and allowances	160,417	1	109,398	1
Net sales	16,170,696	99	10,602,741	99
Other operating revenue	207,233	1	155,183	1
Total operating revenue	16,377,929	100	10,757,924	100
OPERATING COSTS (Notes 14 and 16)	12,172,276	75	7,931,769	74
GROSS PROFIT	4,205,653	25	2,826,155	26
UNREALIZED INTERCOMPANY GAINS (Note 2)	(185,219)	(1)	(120,265)	(1)
REALIZED INTERCOMPANY GAINS (Note 2)	120,265	1	186,640	2
ADJUSTED GROSS PROFIT	4,140,699	25	2,892,530	27
OPERATING EXPENSES (Notes 14 and 16)				
Marketing	387,609	2	287,251	3
Administration	428,026	3	351,949	3
Research and development	1,306,321	8	1,072,444	10
Total operating expenses	2,121,956	13	1,711,644	16
OPERATING INCOME	2,018,743	12	1,180,886	11
NONOPERATING INCOME AND GAINS				
Interest income (Note 16)	2,265	-	5,379	-
Investment income recognized under the equity method, net (Notes 2 and 8)	934,087	6	404,711	4
Exchange gain, net (Note 2)	-	-	20,944	-
Royalty revenue (Note 16)	272,423	2	189,840	2
Valuation gain on financial instruments, net (Notes 2 and 5)	99,740	-	40,362	-
Dividend income	102,470	1	91,397	1
Other income (Note 16)	131,846	1	37,911	-
Total nonoperating income and gains	1,542,831	10	790,544	7

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 2,048	-	$ -	-
Exchange loss (Note 2)	154,057	1	-	-
Loss on sale of investments, net	45,226	-	-	-
Valuation loss on financial instruments, net (Notes 2 and 5)	12,780	-	27,927	-
Other expenses	3,625	-	3,106	-
Total nonoperating expenses and losses	217,736	1	31,033	-
INCOME BEFORE INCOME TAX	3,343,838	21	1,940,397	18
INCOME TAX EXPENSE (Notes 2 and 13)	304,407	2	189,065	2
NET INCOME	$ 3,039,431	19	$ 1,751,332	16

	2010		2009	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 15)				
Basic	$ 6.67	$ 6.06	$ 3.88	$ 3.50
Diluted	$ 6.63	$ 6.03	$ 3.85	$ 3.47

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

(With Deloitte & Touche audit report dated March 11, 2011) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock - Issued and Outstanding (Note 11)		Capital Surplus (Notes 2 and 11)					Retained Earnings (Notes 2 and 11)				Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gains (Losses) on Financial Instruments (Notes 2 and 18)	Treasury Stock (Notes 2 and 12)	Total Shareholders' Equity
	Shares (Thousands)	Amount	Additional Paid-in Capital in Excess of Par Value	From Treasury Stock	From Long-term Equity Investments	From Employee Stock Option	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE, JANUARY 1, 2009	511,346	$ 5,113,458	$ 4,295,589	$ 13,612	$ 59,771	$ -	$ 4,368,972	$ 1,673,104	$ -	$ 2,908,171	$ 4,581,275	$ 320,051	$ -	$ (1,455,647)	$ (1,385,698)	$ 11,542,411
Appropriation of the 2008 earnings																
Legal reserve	-	-	-	-	-	-	-	254,355	-	(254,355)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	1,135,596	(1,135,596)	-	-	-	-	-	-
Stock dividends - 0.5%	2,484	24,843	-	-	-	-	-	-	-	(24,843)	(24,843)	-	-	-	-	-
Cash dividends - NT$3.00 per share	-	-	-	-	-	-	-	-	-	(1,490,598)	(1,490,598)	-	-	-	-	(1,490,598)
Issuance of common stock from employee bonus	2,139	21,386	78,614	-	-	-	78,614	-	-	-	-	-	-	-	-	100,000
Net income in 2009	-	-	-	-	-	-	-	-	-	1,751,332	1,751,332	-	-	-	-	1,751,332
Employee stock options	165	1,650	1,838	-	-	-	1,838	-	-	-	-	-	-	-	-	3,488
Compensation recognized for employee stock options	-	-	-	-	-	5,257	5,257	-	-	-	-	-	-	-	-	5,257
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	140	-	140	-	-	-	-	-	-	-	-	140
Changes in unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,160,118	-	1,160,118
Equity in the changes in unrealized valuation gain on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	696	-	696
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	(93,001)	-	-	-	(93,001)
Change in net loss not recognized as pension cost of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(2,353)	-	-	(2,353)
BALANCE, DECEMBER 31, 2009	516,134	5,161,337	4,376,041	13,612	59,911	5,257	4,454,821	1,927,459	1,135,596	1,754,111	4,817,166	227,050	(2,353)	(294,833)	(1,385,698)	12,977,490
Appropriation of the 2009 earnings																
Legal reserve	-	-	-	-	-	-	-	175,133	-	(175,133)	-	-	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	-	-	(2,006,535)	(2,006,535)	-	-	-	-	(2,006,535)
Reversal of special reserve	-	-	-	-	-	-	-	-	(1,065,460)	1,065,460	-	-	-	-	-	-
Net income in 2010	-	-	-	-	-	-	-	-	-	3,039,431	3,039,431	-	-	-	-	3,039,431
Compensation recognized for employee stock options	-	-	-	-	-	74,592	74,592	-	-	-	-	-	-	-	-	74,592
Company's proportional recognition of the changes in investees' equity in their investments	-	-	-	-	(13)	-	(13)	-	-	-	-	-	-	-	-	(13)
Changes in unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(127,163)	-	(127,163)
Equity in the changes in unrealized valuation gain on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	18,214	-	18,214
Changes in translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(442,809)	-	-	-	(442,809)
Retirement of treasury stock	(14,500)	(145,000)	(122,938)	(13,612)	-	-	(136,550)	-	-	(1,104,148)	(1,104,148)	-	-	-	1,385,698	-
Change in net loss not recognized as pension cost of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	232	-	-	232
BALANCE, DECEMBER 31, 2010	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

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

(With Deloitte & Touche audit report dated March 11, 2011)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,039,431	$ 1,751,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	192,001	171,897
Allowance (reversal of allowance) for doubtful accounts	(10,560)	8,824
Allowance for loss on inventories	32,059	8,634
Loss on disposal of scrap inventories	47,992	70,831
Gain on disposal of long-term equity investments, net	(5,631)	-
Loss on the sale of available-for-sale financial assets, net	50,857	-
Loss (gain) on disposal of property, plant and equipment, net	(13)	408
Investment income recognized under the equity method, net	(934,087)	(404,711)
Cash dividends received from equity method investees	130,128	38,398
Compensation cost of employee stock options	74,592	5,257
Accrued pension cost	1,245	(3,423)
Deferred income tax	67,373	78,924
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(605)	(32,760)
Notes receivable	(22,855)	9,751
Accounts receivable	(100,554)	(40,516)
Accounts receivable - related parties	(473,537)	(76,073)
Other receivables	(9,402)	(5,321)
Other receivables - related parties	(7,314)	(6,326)
Inventories	(565,432)	89,531
Prepayments and other current assets	96,827	(78,615)
Accounts payable	80,597	135,608
Accounts payable - related parties	69,823	419,772
Income tax payable	220,655	(131,841)
Accrued expenses	203,703	242,535
Receipts in advance and other current liabilities	(2,138)	15,780
Deferred credits	64,955	(66,375)
Net cash provided by operating activities	2,240,110	2,201,521
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(99,073)
Proceeds of capital reduction on available-for-sale financial assets	1,645	-
Proceeds of the disposal of available-for-sale financial assets	148,964	-
Acquisition of investments accounted for by the equity method	(1,179,214)	(50,000)
Proceeds of the disposal of equity-method investments	13,172	120,000
Cash acquired through merger	-	6,176
Increase in other receivable - financing to related parties	-	(14,000)
Proceeds of the disposal of property, plant and equipment	152	354

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
Acquisition of property, plant and equipment	$ (124,650)	$ (91,133)
Increase in deferred charges	(39,831)	(30,108)
Increase in refundable deposits	(335)	(52)
Net cash used in investing activities	(1,180,097)	(157,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(2,006,535)	(1,490,598)
Cash bonus to employees and remuneration to directors and supervisors	(7,700)	(72,770)
Employee stock options	-	3,488
Net cash used in financing activities	(2,014,235)	(1,559,880)
NET INCREASE (DECREASE) IN CASH	(954,222)	483,805
CASH, BEGINNING OF YEAR	1,706,903	1,223,098
CASH, END OF YEAR	$ 752,681	$ 1,706,903
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 2,048	$ -
Income tax paid	$ 26,379	$ 243,424

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

(With Deloitte & Touche audit report dated March 11, 2011) (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 group, the Company’s board of directors resolved to have a short-form merger with Advantech Investment and Management Service (AIMS). The effective merger date was July 30, 2009. As the survivor entity, the Company assumed all of the assets and liabilities of AIMS.

As of December 31, 2010 and 2009, the Company had 1,542 and 1,346 employees, respectively.

2. SUMMARY OF 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 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 property, plant and equipment; pension cost; product warranty reserve; bonuses paid to employees and remunerations to directors and supervisors; income tax; etc. Actual results could differ from these estimates.

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

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

Current and Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Sales are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and profit is realized or is realizable. The Company does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related 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.

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

Inventories

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

Investments Accounted for by the Equity Method

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

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

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

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

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

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

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

Property, Plant and Equipment

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings and equipment, 45 to 60 years; machinery and equipment, 2 to 8 years; furniture and fixtures 2 to 5 years; and miscellaneous equipment, 2 to 5 years. Property, plant and equipment 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 property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to nonoperating income or expenses in the year of disposal.

Deferred Expenses

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

Asset Impairment

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

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

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

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 - “Share-based Payment.” Under the statement, 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.

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.

Treasury Stock

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

Income Tax

The Company applies the inter-year allocation method to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences 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 in the current year.

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-currency Transactions

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

At 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 CHANGE

Accounting for Inventories

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. This accounting change resulted in decreases of $7,676 thousand in net income and of NT$0.02 in earnings per share (after income tax) for the year ended December 31, 2009.

4. CASH

	December 31	
	2010	2009
Cash on hand	$ 1,523	$ 1,531
Checking accounts and demand deposits	746,150	490,081
Time deposits: Interest - 0.25% in 2010 and 0.2%-0.705% in 2009	5,008	1,215,291
	$ 752,681	$ 1,706,903

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	December 31	
	2010	2009
Financial assets held from trading		
Forward exchange contracts	$ 47,434	$ 11,074
Financial liabilities held from trading		
Forward exchange contracts	$ 35,755	$ -

Outstanding forward exchange contracts as of December 31, 2010 and 2009 were as follows:

	Currency	Maturity	Amount (Thousands)
December 31, 2010			
Sell	EUR/NTD	January 2011	EUR500/NTD21,359
	EUR/USD	January 2011 - September 2011	EUR18,000/USD23,230
	USD/NTD	January 2011 - August 2011	USD48,885/NTD1,522,734
	JPY/USD	January 2011 - August 2011	JPY370,000/USD4,331
December 31, 2009			
Sell	EUR/USD	January 2010 - February 2010	EUR960/USD1,445
	USD/NTD	January 2010 - June 2010	USD25,945/NTD838,536
	JPY/USD	January 2010 - February 2010	JPY30,000/NTD10,837

The Company entered into forward exchange contracts in 2010 and 2009 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 net gains of $86,960 thousand in 2010 and $12,435 thousand in 2009.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2010	2009
Quoted domestic stocks		
ASUSTeK Computer Inc.	$ 1,749,382	$ 2,829,806
Pegatron Corp.	776,436	-
Chunghwa Telecom Co., Ltd.	115,192	101,745
Quoted overseas stocks		
SG Advantech Co., Ltd.	21,167	59,255
	$ 2,662,177	$ 2,990,806

7. INVENTORIES, NET

	December 31	
	2010	2009
Finished goods	$ 465,812	$ 296,836
Work in process	278,490	186,562
Materials and supplies	560,160	336,309
Goods in transit	10,458	9,832
	$ 1,314,920	$ 829,539

As of December 31, 2010 and 2009, the allowances for inventory devaluation were $122,818 thousand and $90,759 thousand, respectively.

As of December 31, 2010 and 2009, the costs of goods sold related to inventories were $12,172,276 thousand and $7,931,769 thousand, respectively, which included an allowance for loss of $32,059 thousand and a loss of $47,992 thousand on inventory scrap disposal for 2010, and an allowance for loss of $8,634 thousand and a loss of $70,831 thousand on inventory scrap disposal for 2009.

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Listed				
Axiomtek Co., Ltd.	$ 349,505	27.58	$ 341,868	27.63
Unlisted				
Advantech Technology Co., Ltd.	2,378,743	100.00	1,932,670	100.00
Advantech Automation Corp. (BVI)	2,012,079	100.00	1,864,436	100.00
Advantech Investment Fund-A Co., Ltd.	873,155	100.00	633,160	100.00
Advantech Europe Holding B.V.	846,675	100.00	241,551	100.00
Advansus Corp.	241,066	50.00	212,966	50.00
Advantech Japan Co., Ltd.	153,994	100.00	119,051	100.00
Advantech KR Co., Ltd.	96,480	100.00		
Advantech Co. Singapore Pte, Ltd.	81,178	100.00	62,342	100.00
Advantech Australia Pty Ltd.	71,759	100.00	94,343	100.00
Advantech Intelligent Service	51,687	100.00	50,000	100.00
Advantech Co. Malaysia Sdn. Bhd.	33,496	100.00	41,823	100.00
Advantech (YanShun) Holding Co., Ltd.	20,731	100.00	77,693	100.00
Advantech Brazil S/A	18,150	43.28	5,631	43.28
Advantech Hungary Ltd.	13,813	30.00	15,170	30.00
Advantech (HK) Technology Co., Ltd.	-	100.00	-	100.00
	6,893,006		5,350,836	
Long-term equity-method investments	$ 7,242,511		$ 5,692,704	

The financial statements of the following investees had been audited by other auditors, i.e., not the Company's auditors: (a) in 2010 and 2009 - Axiomteck 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 (HK) Technology Co., Ltd.; and Advantech Brazil S/A; and (b) in 2010 - Jan-Hsiang Electronics Co., Ltd., an investee of Advantech Investment Fund-A Co., Ltd., and Innocore Holding Ltd., an indirect subsidiary of Advantech Europe Holding B.V.

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

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

Changes in goodwill in 2010 and 2009 were as follows:

	Years Ended December 31	
	2010	2009
Cost		
Balance, beginning of year	$ 115,712	$ 106,724
Amount recognized on acquisition of investments	-	9,188
Amount derecognized on disposal of investments	(218)	-
Translation adjustment	(22,386)	(200)
Balance, end of year	$ 93,108	$ 115,712

On December 31, 2010 and 2009, 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 under the Equity Method” of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee’s total losses unless other investors commit to assume, and can assume, a portion of the losses. As of December 31, 2010 and 2009, there were credit balances on the carrying value of this investment of $5,722 thousand and $7,171 thousand, respectively, included in other liability - others.

The market values of the listed equity-method investees, which were calculated on the basis of the closing prices of December 31, 2010 and 2009, were $813,663 thousand and $647,955 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, 2010 and 2009.

9. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment were as follows:

	Year Ended December 31, 2010				
	Beginning Balance	Acquisition	Disposal	Re-classification	Ending Balance
Property, plant and equipment					
Cost					
Land	$ 1,113,352	$ -	$ -	$ -	$ 1,113,352
Buildings	1,182,812	-	-	-	1,182,812
Machinery and equipment	404,105	21,119	5,200	31,015	451,039
Furniture and fixtures	102,026	17,001	3,030	-	115,997
Other equipment	196,481	27,101	3,708	22,941	242,815
	2,998,776	$ 65,221	$ 11,938	$ 53,956	3,106,015
Accumulated depreciation					
Buildings	158,406	$ 23,194	$ -	$ -	181,600
Machinery and equipment	291,543	51,541	5,200	-	337,884
Furniture and fixtures	65,456	17,212	2,891	-	79,777
Other equipment	112,756	35,262	3,708	-	144,310
	628,161	$ 127,209	$ 11,799	$ -	743,571
	2,370,615				2,362,444
Construction in progress and prepayments for equipment	9,390	$ 59,429	$ -	$ (54,855)	13,964
	$ 2,380,005				$ 2,376,408

	Year Ended December 31, 2009				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Property, plant and equipment					
Cost					
Land	$ 1,113,352	$ -	$ -	$ -	$ 1,113,352
Buildings	1,090,516	7,293	-	85,003	1,182,812
Machinery and equipment	394,790	8,447	18,857	19,725	404,105
Furniture and fixtures	116,295	12,160	26,429	-	102,026
Other equipment	166,690	17,897	5,594	17,488	196,481
	2,881,643	$ 45,797	$ 50,880	$ 122,216	2,998,776
Accumulated depreciation					
Buildings	136,218	$ 22,188	$ -	$ -	158,406
Machinery and equipment	260,615	49,742	18,814	-	291,543
Furniture and fixtures	74,192	17,326	26,062	-	65,456
Other equipment	87,198	30,855	5,297	-	112,756
	558,223	$ 120,111	$ 50,173	$ -	628,161
	2,323,420				2,370,615
Construction in progress and prepayments for equipment	91,263	$ 45,336	$ -	$ (127,209)	9,390
	$ 2,414,683				$ 2,380,005

10. PENSION PLAN

The pension plan under the Labor Pension Act is 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 loan were $54,865 thousand in 2010 and $50,585 thousand in 2009.

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 based on employee's average monthly salary for the six months before retirement.

Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan. The pension costs under the defined benefit pension plan were $8,714 thousand for 2010 and $4,362 thousand for 2009. As of December 31, 2010 and 2009, the pension fund balances were $108,750 thousand and $101,848 thousand, respectively.

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

a. Components of net pension cost:

	2010	**2009**
Service cost	$ 4,066	$ 3,007
Interest cost	5,118	3,974
Projected return on plan assets	(2,292)	(2,302)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	1,822	(317)
	$ 8,714	$ 4,362

b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	$ 6,225	$ 4,687
Non-vested benefit obligation	135,518	121,392
Accumulated benefit obligation	141,743	126,079
Additional benefits based on future salaries	87,796	101,382
Projected benefit obligation	229,539	227,461
Fair value of plan assets	(108,750)	(101,848)
Funded status	120,789	125,613
Unrecognized net transition obligation	(9,112)	(10,933)
Unrecognized net gain	(7,467)	(11,715)
Accrued pension liabilities	$ 104,210	$ 102,965
Vested benefit	$ 7,705	$ 5,840

c. Actuarial assumptions

	2010	2009
Discount rate used in determining present values of plan assets	2.00%	2.25%
Future salary increase rate	3.25%	3.00%
Expected rate of return on plan assets	2.00%	2.25%

	Years Ended December 31	
	2010	2009
d. Contributions to the fund	$ 7,469	$ 7,761
e. Payments from the fund	$ 2,128	$ -

11. SHAREHOLDERS' EQUITY

Capital Surplus

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

Appropriation of Earnings and Dividend Policy

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

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

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

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

The bonus to employees and remunerations to directors and supervisors of $30,000 thousand for 2010 and $178,000 thousand for 2009 (classified under accrued expenses) were estimated and accrued on the basis of past experience. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the eve of the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized gain or loss on financial instruments, cumulative transaction adjustments and net loss not recognized as pension cost) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

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

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

The appropriations from the earnings of 2009 and of 2008 were proposed in the Board of Directors' meeting and approved in the shareholders' meetings held on May 18, 2010 and May 15, 2009, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (Dollars)**	
	2009	**2008**	**2009**	**2008**
Legal reserve	$ 175,133	$ 254,355		
Special reserve	-	1,135,596		
Cash dividends	2,006,535	1,490,598	$4.00	$3.00
Stock dividends	-	24,843	-	0.05

The bonus to employees and the remuneration to directors and supervisors for 2009 and 2008 that were approved in the shareholders' meetings on May 18, 2010 and May 15, 2009, respectively, were as follows:

	Years Ended December 31			
	2009		2008	
	Cash	Stock	Cash	Stock
Bonus to employees	$ 175,000	$ -	$ 90,000	$ 100,000
Remuneration to directors and supervisors	3,000	-	-	-

The share number of 2,139 thousand for 2009 was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends) of the day immediately preceding the shareholders' meeting.

There is 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.

The proposal on the appropriation of the earnings of 2010 had not yet been approved in the board of directors' meeting as of March 11, 2011, the date of the accompanying auditors' report. Information on the appropriation of bonus to employees and remuneration to directors and supervisors can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

At their meeting on May 15, 2009, the shareholders approved the board of directors' proposal to distribute stock dividends of $24,843 thousand and stock bonus to employees of $100,000 thousand. The appropriation of earnings for 2008 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 4, 2009 as the date of distributing stock and cash dividends, and the Company had completed its revised registration from the MOEA.

Qualified employees of the Company and its subsidiaries were granted stock options at 3,000 units in July 2010, 10,000 units in December 2009 and 3,000 units in August 2003. Each option entitles the holder to subscribe for one thousand common shares of the Company. Options issued in July 2010 and December 2009 are valid for 5 years and options issued in August 2003 are valid for 6 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 subsequent changes in the Company's paid-in capital, the exercise price and the number of options are adjusted accordingly.

When the grant date of stock-based employee compensation plans is on or before January 1, 2004, the Company need not apply the accounting guidelines Nos. 070, 071 and 072 for stock-based compensation issued by the Accounting Research and Development Foundation of the ROC.

Information on employee stock options is as follows:

	Year Ended December 31			
	2010		2009	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of year	10,000	$58.24	165	$23.49
Options granted	3,000	67.40	10,000	61.90
Options exercised	-	-	(165)	21.14
Balance, end of year	13,000		10,000	
Options exercisable, end of year	-		-	
Weighted-average fair value of options granted (NT$)	$16.45-$20.25		$16.45-$18.13	

The weighted-average stock price at the date of exercise for stock options exercised during the years ended December 31, 2009 was NT$52.98.

Information on outstanding options as of December 31, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2010	$67.40	4.53	$ -	-
Issuance in 2009	58.24	3.92	61.9	4.92

Options granted during the year ended December 31, 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 during the year ended December 31, 2009 were priced using the Black-Scholes model, and the inputs to the model were as follows:

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

Expected volatility is based on the historical stock price volatility over the past 5 years.

Compensation costs recognized were NT$74,592 thousand and NT$5,257 thousand for the years ended December 31, 2010 and 2009, respectively.

12. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2010				
For transfer to employees	14,500	-	14,500	-
Year ended December 31, 2009				
For transfer to employees	14,500	-	-	14,500

At their meeting on November 2, 2010, the board of directors approved the retirement of the Company's treasury stock since this treasury stock had not been transferred for three years since the date of acquisition. As of December 31, 2010, the Company had completed the registration of this retirement with the Ministry of Economic Affairs.

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

13. INCOME TAX

a. A reconciliation of income tax expense based on income before income tax at statutory rate and income tax expense was as follows:

	December 31	
	2010	2009
Tax on pretax income at statutory rate (2010: 17%; 2009: 25%)	$ 568,453	$ 485,089
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	5,719	(49,031)
Other	(41,407)	(73,877)
Temporary differences	(104,779)	(105,253)
Investment tax credit	(180,952)	(145,314)
Income tax currently payable	$ 247,034	$ 111,614

b. Income tax expense consisted of the following:

	December 31	
	2010	**2009**
Income tax currently payable	$ 247,034	$ 111,614
Income tax expense		
Temporary differences	110,277	144,366
Effect of tax law changes on deferred income tax	(34,816)	(52,634)
Adjustment in valuation allowance due to changes in tax laws	(8,088)	(12,808)
Adjustments for prior years' tax	(10,000)	(1,473)
	$ 304,407	$ 189,065

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

1) In May 2009, 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 25% to 20%, effective January 1, 2010.

2) 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 took effect from January 1, 2010 and is effective till December 31, 2019.

3) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

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

	December 31	
	2010	**2009**
Balance, beginning of year	$ 144,401	$ 276,211
Income tax currently payable	247,034	111,614
Payment	(16,379)	(243,424)
Adjustments for prior year's tax	(10,000)	-
Balance, end of year	$ 365,056	$ 144,401

d. Net deferred income tax assets (liabilities) as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	**2009**
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 20,879	$ 18,152
Exchange losses	7,487	-
Unrealized product warranty reserve	5,285	4,713

(Continued)

	December 31	
	2010	2009
Investment tax credit	$ -	$ 45,196
Others	-	71
	33,651	68,132
Valuation allowance	-	(45,196)
Deferred income tax assets, net	$ 33,651	$ 22,936
Noncurrent		
Deferred income tax assets		
Accumulated equity in the net loss of foreign investees	$ 45,409	$ 51,233
Deferred credits	31,487	24,053
Pension cost	17,725	20,604
	94,621	95,890
Valuation allowance	(45,409)	(51,233)
	49,212	44,657
Deferred income tax liabilities		
Accumulated equity in the net gains of foreign investees	(412,004)	(329,361)
Deferred income tax liabilities, net	$ (362,792)	$ (284,704)

(Concluded)

On December 31, 2010 and 2009, the tax rate the Parent Company used to calculate the deferred income tax was 17% and 25%, respectively.

e. As of December 31, 2010, the Company's five years' exemption from income tax was as follows:

Investment Plan	Exemption Period
500 MHz thin client production	2006 to 2010

f. Before January 1, 2010, based on Article 70-1 of the Statute for Upgrading Industries, companies will be exempt from the profit-seeking enterprise tax on the following incomes if they use worldwide resources and set up an international operating network or if they establish operating headquarters within the territory of the Republic of China that is of a specific size and will bring about significant economic benefits:

1) Income from providing management services or R&D services to its affiliates abroad;
2) Royalty payment received from its affiliates abroad; and/or
3) Returns on investments and gains on asset disposal by overseas affiliates.

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

	December 31	
	2010	2009
Balance of the imputation credit account (ICA)	$ 2,762	$ 155,863
The balances of unappropriated retained earnings generated before 1997	$ -	$ 2,779

The expected and actual creditable tax ratios for earnings were 9.10% and 11.34%, respectively, as of December 31, 2010 and 2009, respectively. The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. Thus, the expected creditable ratio may change when the actual allocation of the imputation credits is made.

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

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2010			2009		
	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	$ 320,530	$ 1,240,834	$ 1,561,364	$ 248,115	$ 946,816	$ 1,194,931
Insurance	24,486	64,915	89,401	22,770	33,520	56,290
Pension	14,867	48,712	63,579	13,591	41,356	54,947
Others	23,823	47,967	71,790	18,074	34,729	52,803
	$ 383,706	$ 1,402,428	$ 1,786,134	$ 302,550	$ 1,056,421	$ 1,358,971
Depreciation	$ 32,354	$ 94,855	$ 127,209	$ 36,347	$ 83,764	$ 120,111
Amortization	11,638	53,154	64,792	102	51,684	51,786

15. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
2010					
Basic EPS	$ 3,343,838	$ 3,039,431	501,634	$ 6.67	$ 6.06
The impact of dilutive potential common shares					
Employee stock options	-	-	2,423		
Bonuses to employees	-	-	242		
Diluted EPS	$ 3,343,838	$ 3,039,431	504,299	$ 6.63	$ 6.03
2009					
Basic EPS	$ 1,940,397	$ 1,751,332	500,115	$ 3.88	$ 3.50
The impact of dilutive potential common shares					
Employee stock options	-	-	94		
Bonuses to employees	-	-	3,944		
Diluted EPS	$ 1,940,397	$ 1,751,332	504,153	$ 3.85	$ 3.47

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
Advantech Investment & Management Service (AIMS)	Equity-method investee (AIMS merged with the Company on July 30, 2009)
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEUH)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
SG Advantech Co., Ltd. (former name: Advantech Technologies Co., Ltd.) (SGA)	The Company was SGA’s director (SGA was an equity-method investee until December 2008)
Advantech KR Co., Ltd. (AKR)	The Company’s chairman is an AKR director
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (Yanshun) Holding Co., Ltd. (AYS)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech (HK) Technology Co., Ltd. (AHK)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Europe B.V. (AEU)	Equity-method investee of AEUH
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEUH
DLoG Gmbh (DLoG)	Equity-method investee of AEUH
Innocore Holding Limited (Innocore)	Equity-method investee of AEUH
Innocore Gaming Ltd. (UK) (IGL)	Equity-method investee of AEUH
Advantech Automation Corp. (H.K.) Limited (AAC (HK))	Equity-method investee of AAC (BVI)
HK Advantech Technology Co., Ltd. (ATC (HK))	Equity-method investee of ATC
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Corp. (ANA)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (HK)
Yan Hua Xing Ye Electronic (SHHQ)	Equity-method investee of AAC (HK)
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. (“Netstar”)	Equity-method investee of Advantech Fund-A

(Continued)

Related Party	Relationship with the Company
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. (“Broadwin”)	Equity-method investee of Advantech Fund-A
Cermate Technologies Inc. (Cermate)	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	Equity-method investee of Netstar
Avalue Technology Inc. (“Avalue”)	The Company’s chairman is the Avalue Technology Inc.’s director
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 International Co., Ltd.	The Advantech International Co., Ltd.’s owner is the second-degree relative of the Company’s chairman
Advantech Intelligent Service (AiST)	Equity-method investee
K&M Investment Co., Ltd. (K&M)	The spouse of the Company’s chairman is a K&M director
AIDC Investment Corp. (AIDC)	The spouse of the Company’s chairman is an AIDC’s director

(Concluded)

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

b. The significant transactions with the above related parties, in addition to those disclosed in Note 17 and Table 2, are summarized as follows:

	2010		2009	
	Amount	**% to Total**	**Amount**	**% to Total**
For the year				
Sales				
ANA	$ 4,565,991	28	$ 2,404,789	22
ACN	2,066,881	13	1,849,560	17
AEU	1,881,081	12	1,367,858	13
AiSC	1,551,083	9	1,128,714	11
AKMC	442,806	3	137,095	1
AKR	419,833	3	239,621	2
AJP	389,935	2	204,675	2
AAU	144,304	1	117,048	1
ASG	127,918	1	75,206	1
ABR	96,394	1	90,008	1
AMY	32,753	-	20,588	-
Avalue	29,469	-	13,347	-
ATH	29,156	-	22,401	1
Axiomtek	19,339	-	9,539	-
Advansus Corp.	14,585	-	10,786	-
APL	11,930	-	10,334	-
Netstar	6,397	-	4,800	-
Broadwin	2,353	-	4,244	-
DLOG	1,527	-	-	-
Others	1,242	-	1,322	-
	$ 11,834,977	73	$ 7,711,935	72

	2010		2009	
	Amount	**% to Total**	**Amount**	**% to Total**
Purchase of materials and supplies				
ATC	$ 5,468,590	45	$ 3,793,419	48
Advansus Corp.	1,936,461	16	1,119,079	14
ANA	175,396	1	37,029	1
Netstar	67,343	1	46,629	1
Jan Hsiang	21,548	-	17,475	-
AiST	16,450	-	-	-
Cermata	13,837	-	-	-
ACN	4,476	-	4,615	-
AEU	1,143	-	1,420	-
BCM	936	-	617	-
Broadwin	797	-	566	-
Axiomtek	333	-	276	-
ASG	11	-	777	-
AYS	-	-	114,948	1
AHK	-	-	373	-
Others	146	-	476	-
	$ 7,707,467	63	$ 5,137,699	65
Operating expenses				
Rental cost (related contracts were less than five years)				
K&M	$ 2,010	-	$ -	-
Advansus Corp.	-	-	13,607	1
	2,010	-	13,607	1
Administration expense				
AHK	4,980	-	-	-
	$ 6,990	-	$ 13,607	1
Nonoperating income				
Royalty revenue for patent				
ATC	$ 272,423	100	$ 189,840	100
Interest income				
AKR	21	1	1,187	22
Office building rental revenues (part of other nonoperating income, operating lease contracts of less than five years)				
Advansus Corp.	7,020	5	7,020	19
BCM	780	1	780	2
Advantech Fund-A	36	-	36	-
AIMS	-	-	150	-
	7,836	6	7,986	21
Other revenues				
ACN	24,960	19	-	-
Advansus Corp.	22,434	17	10,784	28
ANA	19,455	15	-	-
AKR	15,923	12	-	-
AJP	14,772	11	-	-

(Continued)

	2010		2009	
	Amount	% to Total	Amount	% to Total
AIDC	$ 1,500	1	$ 11	-
Netstar	880	1	-	-
Broadwin	770	1	-	-
ABR	451	-	-	-
K&M	500	-	-	-
Cermate	400	-	-	-
	102,045	77	10,795	28
	$ 382,325		$ 209,808	

(Concluded)

	2010		2009	
	Amount	% to Total	Amount	% to Total
Nonoperating expense				
Interest expense				
Advantech Fund-A	$ 931	46	$ -	-
AiST	85	4	-	-
	$ 1,016	50	$ -	-

Other revenues were provided for management service and technical support.

	2010		2009	
	Amount	% to Total	Amount	% to Total
At year-end				
Accounts receivable - related parties				
AEU	$ 664,126	34	$ 398,374	27
ANA	535,453	28	178,700	12
ACN	319,076	17	314,867	21
AiSC	227,051	12	337,713	23
AKR	66,081	3	64,646	5
AKMC	35,775	2	64,843	5
AJP	25,975	1	42,766	3
ABR	25,735	1	14,497	1
AAU	20,918	1	30,406	2
ASG	16,185	1	11,897	1
Avalue	5,610	-	1,088	-
Axiomtek	3,455	-	2,814	-
AMY	2,371	-	2,995	-
APL	1,628	-	2,591	-
Netstar	1,418	-	5,022	-
Advansus Corp.	702	-	1,623	-
Broadwin	159	-	1,849	-
ATH	4	-	931	-
Others	335	-	898	-
	$ 1,952,057	100	$ 1,478,520	100

	2010 Amount	2010 % to Total	2009 Amount	2009 % to Total
Other receivables - related parties				
Financing provided				
AKR	$ -	-	$ 14,000	45
Other receivables				
ACN	20,465	53	-	-
AJP	9,770	26	50	-
Advansus Corp.	5,032	13	4,440	14
ANA	1,380	4	8,070	26
AEU	1,248	3	3,895	12
AAU	112	-	182	1
ABR	106	-	77	-
ASG	94	-	91	-
AKMC	83	-	57	-
AKR	71	-	67	-
BCM	68	-	137	1
Netstar	-	-	288	1
Others	287	1	48	-
	38,716	100	17,402	55
	$ 38,716	100	$ 31,402	100
Refundable deposits				
Advansus Corp.	$ -	-	$ 1,483	22
Accounts payable - related parties				
ATC	$ 986,630	84	$ 937,165	84
Advansus Corp.	138,332	12	122,555	11
ANA	23,908	2	3,491	1
AiST	16,694	1	-	-
Netstar	13,061	1	10,715	1
Jan Hsiang	1,694	-	2,222	-
ACN	1,354	-	1,934	-
Cermate	716	-	-	-
AiSC	259	-	8,020	1
AEU	248	-	551	-
Brodwin	105	-	953	-
AYS	-	-	22,983	2
APL	-	-	1,129	-
AMY	-	-	829	-
AJP	-	-	806	-
Others	815	-	640	-
	$ 1,183,816	100	$ 1,113,993	100
Other payables (part of advance receipt and other current liabilities)				
ABR	$ -	-	$ 27	96
Advansus Corp.	-	-	1	4
	$ -	-	$ 28	100

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

	Year Ended December 31, 2010			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income (Expense)
AKR	$ 13,000 (KRW 500,000 thousand)	$ -	3%	$ 21
Advantech Fund-A	$ 180,000	$ -	1.1%	$ (931)
AiST	20,000	-	1.1%	(85)
	$ 200,000	$ -		$ (1,016)

	Year Ended December 31, 2009			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
AKR	$ 51,800 (KRW 1,850,000 thousand)	$ 14,000 (KRW 500,000 thousand)	3%	$ 1,187

c. Securities transactions were as follows:

In July 2010, the Company acquired all of AKR's shares from SG Advantech Co., Ltd. for $73,355 thousand.

In July 2009, the Company acquired 60% of ABR's shares from Advantech International Co., Ltd. for $0, resulting in a goodwill amounting to $9,188 thousand.

Rental 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.

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

	December 31	
	2010	2009
Salaries and incentives	$ 89,665	$ 36,910
Bonus	2,256	30,469
	$ 91,921	$ 67,379

17. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, the Company had the following guarantees for related parties' loans:

	Amount
AKMC	$ 308,778 thousand
Advansus Corp.	$ 100,000 thousand
Cermate	$ 20,000 thousand
Advantech Fund-A	$ 300,000 thousand

18. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - noncurrent	$ 2,662,177	$ 2,662,177	$ 2,990,806	$ 2,990,806
Derivative financial instruments location				
Financial assets at fair value through profit or loss - current				
Domestic	4,680	4,680	3,165	3,165
Foreign (including a foreign corporation's branch operating in Taiwan)	42,754	42,754	7,909	7,909
Financial liabilities at fair value through profit or loss - current				
Domestic	10,050	10,050	-	-
Foreign (including a foreign corporation's branch operating in Taiwan)	25,705	25,705	-	-

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, accounts payables and payables to related parties, the carrying amounts of these financial instruments approximate their fair values.

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

3) Fair values of derivatives were determined using the quoted market prices as well as estimates using valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.

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

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 47,434	$ 11,074
Available-for-sale financial assets - noncurrent	2,662,177	2,990,806	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	35,755	-

d. As of December 31, 2010 and 2009, financial assets exposed to fair value risk from interest rate fluctuation amounted to $5,008 thousand and $1,215,291 thousand, respectively, and financial assets exposed to cash flow interest risk amounted to $591,093 thousand and $486,597 thousand, respectively.

e. The Company recognized unrealized losses and gains of $127,163 thousand and $1,160,118 thousand, respectively, in shareholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2010 and 2009, respectively. The Company also recognized unrealized gains of $18,214 thousand and $696 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for 2010 and 2009, 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 effects of exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breach financial instrument contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.

3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Company keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

19. 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 its investees and on investment in Mainland China.

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, 2010, accumulated inward remittance of earnings as of December 31, 2010 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 17 and Tables 1, 2, 5 and 6.

20. SEGMENT INFORMATION

a. Industry: The Company belongs only to one industry: The manufacture and sale of embedded computing boards, applied panel computers, automated industrial equipment, and industrial and network computers.

b. Foreign operations: The Company had no foreign operating unit as of December 31, 2010.

c. Export sales

Geographic Area	**2010**	**2009**
America	$ 4,570,921	$ 2,471,246
Asia	7,986,446	5,659,877
Europe	2,015,426	1,507,261
	$ 14,572,793	$ 9,638,384

d. Major customers

	2010		**2009**	
Customer	**Amount**	**% to Total**	**Amount**	**% to Total**
ANA	$ 4,565,991	28	$ 2,404,789	22
ACN	2,066,881	12	1,849,560	17
AEU	1,881,081	12	1,367,858	13
	$ 8,513,953	52	$ 5,622,207	52

21. OTHER

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

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 67,437	29.13	$ 1,964,440	$ 50,863	31.99	$ 1,627,107
EUR	17,364	38.92	675,807	10,452	46.10	481,837
JPY	78,161	0.358	27,982	140,356	0.347	48,704
KRW	-	-	-	505,891	0.028	14,165
AUD	3	29.68	89	3	28.79	86
Nonmonetary items						
USD	1,684	29.13	49,055	4,254	31.99	136,085
EUR	13	38.92	506	83	46.10	3,826
Investments accounted for by the equity method						
USD	152,246	29.13	4,434,913	122,044	31.99	3,904,188
EUR	21,754	38.92	846,675	5,240	46.10	241,551
JPY	430,152	0.358	153,994	343,085	0.347	119,051
HKD	(1,527)	3.748	(5,722)	(1,738)	4.126	(7,171)
KRW	3,710,764	0.026	96,480	-	-	-
SGD	3,571	22.73	81,178	2,730	22.84	62,342
AUD	2,418	29.68	71,759	3,277	28.79	94,343
BRL	1,029	17.647	18,150	305	18.473	5,631
MYD	3,693	9.069	33,496	4,441	9.417	41,823
Financial liabilities						
Monetary items						
USD	48,683	29.13	1,418,136	40,975	31.99	1,310,790
EUR	467	38.92	18,176	516	46.10	23,788
JPY	6,032	0.358	2,159	4,418	0.347	1,533
HKD	1	3.748	4	1	4.126	4
RMB	1	4.44	4	1,767	4.686	8,280
Nonmonetary items						
USD	3,654	29.13	106,441	3,782	31.99	120,986
EUR	-	-	-	49	46.10	2,259

TABLE 1

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Nature of Financing	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing That Can be Provided by the Financier
											Item	Value		
0	ACL	AKR	Other receivable - related parties	$ 13,000 (KRW 500,000 thousand)	$ -	-	Business transaction - related	Sales $419,833	Financing need	$ -	-	-	$ 87,390 (Note B)	$ 87,390 (Note B)
1	AEUH	ADL	Other receivable - related parties	27,244 (EUR 700 thousand)	27,244 (EUR 700 thousand)	4.00%	Short-term financing	-	Financing need	-	-	-	1,353,344 (Note C)	2,706,688 (Note C)
2	SHHQ	ACN	Other receivable - related parties	71,471 (RMB 16,097 thousand)	-	-	Short-term financing	-	Financing need	-	-	-	133,200 (Note D)	133,200 (Note D)
		AiSC	Other receivable - related parties	84,360 (RMB 19,000 thousand)	-	2.00%	Short-term financing	-	Financing need	-	-	-	133,200 (Note D)	133,200 (Note D)
3	ACN	AiSC	Other receivable - related parties	27,843 (RMB 6,271 thousand)	27,843 (RMB 6,271 thousand)	2.00%	Short-term financing	-	Financing need	-	-	-	133,200 (Note D)	133,200 (Note D)
		AKMC	Other receivable - related parties	90,918 (RMB 20,477 thousand)	-	-	Short-term financing	-	Financing need	-	-	-	133,200 (Note D)	133,200 (Note D)
4	ANA	AEU	Other receivable - related parties	48,065 (US$ 1,650 thousand)	29,130 (US$ 1,000 thousand)	2.00%	Short-term financing	-	Financing need	-	-	-	1,353,344 (Note C)	2,706,688 (Note C)
		AKMC	Other receivable - related parties	171,867 (US$ 5,900 thousand)	168,954 (US$ 5,800 thousand)	2.00%	Short-term financing	-	Financing need	-	-	-	1,353,344 (Note C)	2,706,688 (Note C)
5	AiSC	ACN	Other receivable - related parties	131,753 (RMB 29,674 thousand)	-	2.00%	Short-term financing	-	Financing need	-	-	-	133,200 (Note D)	133,200 (Note D)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co,. Ltd.	Other receivable - related parties	68,036	-	-	Business transaction - related	Purchase 280,510	Business transaction - related	-	-	-	280,510 (Note E)	280,510 (Note E)
		LANSONIC (B.V.I.)	Other receivable - related parties	3,676	3,676	-	Short-term financing	-	Financing need	-	-	-	43,104 (Note F)	43,104 (Note F)
7	Broadwin Technology Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	40,000	20,000	2.00%	Short-term financing	-	Financing need	-	-	-	31,144 (Note F)	31,144 (Note F)
8	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	60,000	12,000	2.00%	Short-term financing	-	Financing need	-	-	-	349,262 (Note F)	349,262 (Note F)
		ACL	Other receivable - related parties	180,000	-	1.10%	Short-term financing	-	Financing need	-	-	-	349,262 (Note F)	349,262 (Note F)
9	AiST	ACL	Other receivable - related parties	20,000	-	1.10%	Short-term financing	-	Financing need	-	-	-	20,675 (Note F)	20,675 (Note F)

Notes:
A. The exchange rate was EUR1=NT$38.92; US$1=NT$29.13; KRW1=NT$0.026; RMB1= NT$4.44.
B. Based on the resolution of the board of directors of Advantech Co., Ltd. (ACL), the maximum amount of financing provided by ACL was US$3,000 thousand.
C. The maximum amount of financing and the maximum amount of financing to individual counter-party that can be provided by the financier are 20% and 10% of the parent company’s net asset value, respectively.
D. For more efficient use of capital among subsidiaries in Mainland China, the maximum amount of financing that can be provided by the financier is RMB30,000 thousand and will be handled over the Citibank account of ACN.
E. The maximum amount of financing for service transactions is equal to the amount provided in the recent year and the confirmed service intercourse to be in the future.
F. 40% of the net asset value of the financier.

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	$ 1,353,344 (Note B)	$ 308,778 (US$ 10,600 thousand)	$ 308,778 (US$ 10,600 thousand)	$ -	2.28%	$ 4,060,032 (Note C)
		Netstar Technology Co., Ltd.	Indirect subsidiary	1,353,344 (Note B)	120,000	-	-	-	4,060,032 (Note C)
		Advansus Corp.	Equity-method investee	1,353,344 (Note B)	100,000	100,000	-	0.74%	4,060,032 (Note C)
		Cermate Technologies Inc.	Equity-method investee	1,353,344 (Note B)	20,000	20,000	-	0.15%	4,060,032 (Note C)
		Advantech Fund-A	Equity-method investee	1,353,344 (Note B)	300,000	300,000	-	2.22%	4,060,032 (Note C)

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

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

C. The exchange rate was US$1.00 = NT$29.13.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars/ Foreign Currency)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd. (the "Company")	Stock							
	AAC (BVI)	Investee	Long-term equity investments	32,606,500	$ 2,012,079	100.00	$ 2,014,147	Note A
	ATC	〃	〃	38,750,000	2,378,743	100.00	2,386,222	Note A
	Advansus Corp.	〃	〃	18,000,000	241,066	50.00	247,822	Note A
	Advantech Fund-A	〃	〃	90,000,000	873,155	100.00	876,623	Note A
	Axiomtek	〃	〃	21,327,984	349,505	27.58	349,505	Note A
	AEUH	〃	〃	9,572,024	846,675	100.00	846,675	Note A
	ASG	〃	〃	1,450,000	81,178	100.00	81,178	Note A
	AAU	〃	〃	500,204	71,759	100.00	71,759	Note A
	AJP	〃	〃	1,200	153,994	100.00	153,994	Note A
	AYS	〃	〃	12,300,000	20,731	100.00	20,731	Note A
	AMY	〃	〃	2,000,000	33,496	100.00	33,496	Note A
	AHG	〃	〃	30	13,813	30.00	13,813	Note A
	ABR	〃	〃	971,055	18,150	43.28	18,150	Note A
	AKR	〃	〃	600,000	96,480	100.00	96,480	Note A
	AiST	〃	〃	5,000,000	51,687	100.00	51,687	Note A
	AHK	〃	Other liability - others	999,999	(5,722)	100.00	(5,722)	Notes A and C
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	6,315,460	1,749,382	1.01	1,749,382	Note B
	SGA	-	〃	1,536,064	21,167	3.91	21,167	Note B
	Chunghwa Telecom Co., Ltd.	-	〃	1,554,545	115,192	-	115,192	Note B
	Pegatron Corp.	-	〃	18,486,570	776,436	-	776,436	Note B
Advantech Fund-A	Stock							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	20,029,222	179,521	80.12	179,521	Note A
	BCM Embedded Computer Inc.	〃	〃	4,500,000	16,397	100.00	16,397	Note A
	Broadwin Technology, Inc.	〃	〃	6,777,571	153,079	100.00	153,079	Note A
	Cermate Technologies Inc.	〃	〃	5,500,000	73,552	55.00	73,552	Note A
	Avalue Technology Inc.	-	Available for sale financial assets - noncurrent	925,759	39,761	2.10	39,761	Note B
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	206,191	15,279	-	15,279	Note B
	AverMedia Information Inc.	-	Financial assets carried at cost - noncurrent	770,000	70,331	0.93	70,331	-
	COBAN Research and Technologies, Inc.	-	〃	600,000	33,257	6.85	33,257	-

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
ATC	<u>Stock</u>							
	ATC (HK)	Investee	Long-term equity investments	41,650,001	$ 1,606,196	100.00	$ 1,606,196	Note A
ATC (HK)	<u>Stock</u>							
	AKMC	Investee	Long-term equity investments	-	1,606,223	100.00	1,606,223	Note A
AAC (BVI)	<u>Stock</u>							
	ANA	Investee	Long-term equity investments	10,952,606	1,056,648	100.00	1,056,648	Note A
	AAC (HK)	〃	〃	15,230,001	953,677	100.00	953,677	Note A
ANA	<u>Stock</u>							
	ABR	-	Financial assets carried at cost - noncurrent	375,192	5,602	16.72	5,602	-
AAC (HK)	<u>Stock</u>							
	ACN	Investee	Long-term equity investments	-	506,031	100.00	506,031	Note A
	SHHQ	〃	〃	-	86,054	100.00	86,054	Note A
	AiSC	〃	〃	-	352,571	100.00	352,571	Note A
	AXA	〃	〃	-	8,104	100.00	8,104	Note A
ACN	<u>Stock</u>							
	Hangzhou Advantofine Automation Co., Ltd.	〃	〃	-	14,515	60.00	14,515	Note A
AEUH	<u>Stock</u>							
	AEU	〃	〃	8,314,280	81,895	100.00	81,895	Note A
	APL	〃	〃	6,530	34,337	92.89	34,337	Note A
	DLoG	〃	〃	1	525,695	100.00	525,695	Note A
AEU	<u>Stock</u>							
	Innocore	〃	〃	100	153,142	100.00	153,142	Note A
ASG	<u>Stock</u>							
	ATH	〃	〃	51,000	14,325	51.00	14,325	Note A
Netstar Technology Co., Ltd.	<u>Stock</u>							
	LANSONIC (B.V.I.)	〃	〃	3,527,529	2,764	94.83	2,764	Note A
	Jan Hsiang Electronics Co., Ltd.	〃	Long-term equity investments	570,000	6,090	28.50	6,090	Note A
Broadwin Technology, Inc.	<u>Stock</u>							
	Broadwin Technology Inc.	〃	Long-term equity investments	5,643,650	14,262	100.00	14,262	Note A
Cermate Technologies Inc.	<u>Stock</u>							
	Land Mark	〃	Long-term equity investments	972,284	30,702	100.00	31,119	Note A
Land Mark	<u>Stock</u>							
	Cermate (Shanghai)	〃	Long-term equity investments	-	19,485	100.00	19,485	Note A
	Cermate (Shenzhen)		〃	-	11,513	90.00	10,361	Note A

(Continued)

Note A: The financial statements used as basis of net asset values were all audited, except AHG.

Note B: Market value was based on the closing price on December 31, 2010.

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

(Concluded)

TABLE 4

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, 2010
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
	Stock													
Advantech Co., Ltd. (the "Company")	Advantech Fund-A	Long-term equity investments	-	Subsidiary	70,000,000	$ 700,000	20,000,000	$ 200,000	-	$ -	$ -	$ -	90,000,000	$ 900,000
	AEUH	Long-term equity investments	-	Subsidiary	9,572,024	426,930	-	719,559	-	-	-	-	9,572,024	1,146,489
	ATC	Long-term equity investments	-	Subsidiary	32,750,000	1,044,818	6,000,000	186,300	-	-	-	-	38,750,000	1,231,118
AEUH	DLoG	Long-term equity investments	-	Subsidiary	-	-	1	553,536	-	-	-	-	1	553,536
	AEU	Long-term equity investments	-	Subsidiary	8,314,280	90,450	-	166,023	-	-	-	-	8,314,280	256,473
AEU	Innocore	Long-term equity investments	-	Subsidiary	-	-	100	166,023	-	-	-	-	100	166,023
ATC	ATC (HK)	Long-term equity investments	-	Subsidiary	35,650,001	1,026,430	6,000,000	186,300	-	-	-	-	41,650,001	1,212,730
ATC (HK)	AKMC	Long-term equity investments	-	Subsidiary	-	1,026,430	-	186,300	-	-	-	-	-	1,212,730

Note: Proceeds of the investees' return of capital in cash.

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, 2010
(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.	AEU	Indirect subsidiary	Sale	$ (1,881,081)	11.49	Set for 45 days a month	Contract price	No significant difference	$ 664,126	24.55	
	ACN	Indirect subsidiary	Sale	(2,066,881)	12.62	Set for 45 days a month	Contract price	No significant difference	319,076	11.79	
	AKMC	Indirect subsidiary	Sale	(442,806)	2.70	Set for 30 days after a month	Contract price	No significant difference	35,775	1.32	
	AJP	Subsidiary	Sale	(389,935)	2.38	Set for 45 days a month	Contract price	No significant difference	25,975	0.96	
	AiSC	Indirect subsidiary	Sale	(1,551,083)	9.47	Set for 45 days a month	Contract price	No significant difference	227,051	8.39	
	ANA	Indirect subsidiary	Sale	(4,565,991)	27.88	Set for 45 days a month	Contract price	No significant difference	535,453	19.79	
	AKR	Subsidiary	Sale	(419,833)	2.56	Set for 45 days a month	Contract price	No significant difference	66,081	2.44	
	AAU	Subsidiary	Sale	(144,304)	0.88	60 to 90 days	Contract price	No significant difference	20,918	0.77	
	ASG	Subsidiary	Sale	(127,918)	0.78	60 to 90 days	Contract price	No significant difference	16,185	0.60	
	ATC	Subsidiary	Purchase	5,468,590	44.93	Set for 60 days a month	Contract price	No significant difference	(986,630)	58.13	
	Advansus Corp.	Subsidiary	Purchase	1,936,461	15.91	Set for 30 days a month	Contract price	No significant difference	(138,332)	8.15	
	ANA	Indirect subsidiary	Purchase	175,396	1.44	Set for 45 days a month	Contract price	No significant difference	(23,908)	1.41	
ATC	Advantech Co., Ltd.	Ultimate parent company	Sale	(5,468,590)	98.01	Set for 60 days a month	Contract price	No significant difference	986,630	97.13	
Advansus Corp.	Advantech Co., Ltd.	Ultimate parent company	Sale	(1,936,461)	41.09	Set for 30 days a month	Contract price	No significant difference	138,332	34.28	
ANA	Advantech Co., Ltd.	Ultimate parent company	Sale	(175,396)	2.77	Set for 45 days a month	Contract price	No significant difference	23,908	1.99	
	Advantech Co., Ltd.	Ultimate parent company	Purchase	4,565,991	88.87	Set for 45 days a month	Contract price	No significant difference	(535,453)	80.08	
AEU	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,881,081	85.16	Set for 45 days a month	Contract price	No significant difference	(664,126)	96.00	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,066,881	89.09	Set for 45 days a month	Contract price	No significant difference	(319,076)	77.11	
AKMC	Advantech Co., Ltd.	Ultimate parent company	Purchase	442,806	8.53	Set for 30 days after a month	Contract price	No significant difference	(35,775)	3.62	
AJP	Advantech Co., Ltd.	Parent company	Purchase	389,935	96.40	Set for 45 days a month	Contract price	No significant difference	(25,975)	99.95	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,551,083	64.36	Set for 45 days a month	Contract price	No significant difference	(227,051)	63.77	
AKR	Advantech Co., Ltd.	Parent company	Purchase	419,833	69.16	Set for 45 days a month	Contract price	No significant difference	(66,081)	72.12	
AAU	Advantech Co., Ltd.	Parent company	Purchase	144,304	72.56	60 to 90 days	Contract price	No significant difference	(20,918)	73.87	
ASG	Advantech Co., Ltd.	Parent company	Purchase	127,918	60.52	60 to 90 days	Contract price	No significant difference	(16,185)	57.04	
ACN	AiSC	Related enterprise	Sale	(232,571)	8.56	Set for 45 days a month	Mark-up pricing	No significant difference	75,321	12.50	
AiSC	ACN	Related enterprise	Sale	(173,164)	6.38	Set for 45 days a month	Mark-up pricing	No significant difference	36,912	9.31	
AKMC	ATC	Related enterprise	Sale	(5,028,247)	88.00	Set for 30 days after a month	Mark-up pricing	No significant difference	226,812	71.40	
	AiSC	Related enterprise	Sale	(311,201)	5.45	Set for 30 days after a month	Mark-up pricing	No significant difference	21,548	6.78	
	Netstar Technology Co., Ltd.	Related enterprise	Sale	(270,892)	4.74	Set for 60 days after a month	Mark-up pricing	No significant difference	-	-	

(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	
ATC	AKMC	Related enterprise	Sale	$ (106,975)	1.87	Set for 30 days after a month	Mark-up pricing	No significant difference	$ 1,113	0.11	
Advansus Corp.	AKMC	Related enterprise	Sale	(1,458,963)	30.96	Set for 30 days after a month	Mark-up pricing	No significant difference	146,308	36.26	
AiSC	ACN	Related enterprise	Purchase	232,571	9.65	Set for 45 days a month	Mark-up pricing	No significant difference	(75,321)	21.15	
	AKMC	Related enterprise	Purchase	311,201	12.91	Set for 30 days after a month	Mark-up pricing	No significant difference	(21,548)	6.05	
ATC	AKMC	Related enterprise	Purchase	5,028,247	100.00	Set for 30 days after a month	Mark-up pricing	No significant difference	(226,812)	98.33	
Netstar Technology Co., Ltd.	AKMC	Related enterprise	Purchase	270,892	88.27	Set for 60 days after a month	Mark-up pricing	No significant difference	-	-	
AKMC	ATC	Related enterprise	Purchase	106,975	2.06	Set for 45 days a month	Mark-up pricing	No significant difference	(1,113)	0.11	
	Advansus Corp.	Related enterprise	Purchase	1,458,963	28.09	Set for 30 days after a month	Mark-up pricing	No significant difference	(146,308)	14.75	
ACN	AiSC	Related enterprise	Purchase	173,164	7.46	Set for 45 days a month	Mark-up pricing	No significant difference	(36,912)	8.38	

(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
DECEMBER 31, 2010
(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.	AEU	Indirect subsidiary	$ 664,126	3.54	$ -	-	$ 336,246	$ -
	ANA	Indirect subsidiary	535,453	12.79	-	-	535,453	-
	ACN	Indirect subsidiary	319,076	6.52	-	-	262,420	-
	AiSC	Indirect subsidiary	227,051	5.49	-	-	132,362	-
ATC	Advantech Co., Ltd.	Parent company	986,630	5.69	-	-	900,961	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	138,332	14.85	-	-	138,332	-
	AKMC	Related enterprise	146,308	9.85	-	-	109,397	-
AKMC	ATC	Related enterprise	226,812	18.69	-	-	225,658	-

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	$ 1,078,934	$ 1,078,934	32,606,500	100.00	$ 2,012,079	$ 297,112	$ 301,371	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,044,818	38,750,000	100.00	2,378,743	418,739	419,036	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	180,000	18,000,000	50.00	241,066	112,448	56,900	Equity-method investee
	AEUH	Helmond, The Netherlands	Investment holding company	1,146,489	426,930	9,572,024	100.00	846,675	(11,844)	(11,844)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment and management service	900,000	700,000	90,000,000	100.00	873,155	30,594	27,126	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	261,681	269,222	21,327,984	27.58	349,505	197,669	55,391	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	81,178	18,941	18,941	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	71,759	(10,401)	(10,401)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	153,994	31,344	31,344	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	5,927	51,662	12,300,000	100.00	20,731	(3,680)	(3,580)	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	33,496	6,083	6,083	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	13,813	-	-	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	-	600,000	100.00	96,480	47,912	28,148	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	18,150	21,713	13,028	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	51,687	1,687	1,687	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(5,722)	857	857	Subsidiary (Note A)
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	245,068	242,668	20,029,222	80.12	179,521	(24,215)	(19,355)	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	4,500,000	100.00	16,397	1,716	1,716	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	172,063	99,783	6,777,571	100.00	153,079	8,066	8,253	Indirect subsidiary
	Cermate Technologies Inc.	Taipei, Taiwan		71,500	-	5,500,000	55	73,552	2,305	3,081	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,212,730	1,026,430	41,650,001	100.00	1,606,196	269,045	269,045	Indirect subsidiary
ATC (HK)	AKMC	Guangzhou, China	Production and sale of industrial automation products	1,212,730	1,026,430	-	100.00	1,606,423	269,076	269,076	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,056,648	175,694	175,694	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	953,677	121,487	121,487	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale and fabrication of industrial automation products	185,356	185,356	-	100.00	506,031	46,727	46,727	Indirect subsidiary
	SHHQ	Shanghai, China	Sale and fabrication of industrial automation products	96,750	96,750	-	100.00	86,054	269	269	Indirect subsidiary
	AiSC	Shanghai, China	Sale and fabrication of industrial automation products	257,040	257,040	-	100.00	352,571	90,653	90,653	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	8,104	(16,133)	(16,133)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	13,727	13,727	-	60.00	14,515	2,243	1,346	Equity-method investee
AEUH	AEU	Eindhoven, The Netherlands	Sale and fabrication of industrial automation products	256,473	90,450	8,314,280	100.00	81,895	(44,711)	(44,711)	Indirect subsidiary
	APL	Warsaw, Poland	Sale and fabrication of industrial automation products	10,285	10,285	6,530	92.89	34,337	2,814	2,614	Indirect subsidiary
	DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	-	1	100.00	525,695	58,218	27,408	Indirect subsidiary
AEU	Innocore	England	Design, R&D and sale of gaming computing products	166,023	-	100	100.00	153,142	2,077	95	
ASG	ATH	Thailand	Production of computers	7,537	2,495	51,000	51.00	14,325	5,081	2,039	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	7,188	570,000	28.50	6,090	3,038	894	Indirect subsidiary (Note A)
	LANSONIC (B.V.I.)	BVI	General investment	101,188	101,188	3,527,529	94.83	2,764	HK$ 10,327	HK$ 10,327	Indirect subsidiary (Note A)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value			
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of Webaccess software	$ 69,492	$ 69,492	5,643,650	100.00	$ 14,262	$ (1,204)	$ (1,204)	Indirect subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	-	972,284	100.00	30,702	6,124	6,124	Indirect subsidiary
LandMark	Cermate (Shanghai)	Shanghai, China	Sale of industrial electronic products	US$ 572	-	-	100.00	19,485	1,945	2,433	Indirect subsidiary
	Cermate (Shenzhen)	Shenzhen, China	Manufacture of LCD touch panel, USB data cable and industrial automation products	US$ 308	-	-	90.00	11,513	7,271	5,474	Indirect subsidiary

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

Note B: The financial statements used as basis of net asset values were all audited

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(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, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$41,650 thousand	Indirect	$ 911,769 (US$ 31,300 thousand)	$ 174,780 (US$ 6,000 thousand)	$	$ 1,086,549 (US$ 37,300 thousand)	100%	$ 269,076	$ 1,606,423	$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US$3,000 thousand	Indirect	87,390 (US$ 3,000 thousand)	-		87,390 (US$ 3,000 thousand)	100%	269	86,054	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	155,321 (US$ 5,332 thousand)	-		155,321 (US$ 5,332 thousand)	100%	46,727	506,031	327,276 (US$ 11,235 thousand)
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	41,452 (US$ 1,423 thousand)	(Note C)	100%	(3,680)	-	41,452 (US$ 1,423 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US$8,000 thousand	Indirect	233,040 (US$ 8,000 thousand)	-	-	233,040 (US$ 8,000 thousand)	100%	90,653	352,571	-
Xi’an Advantech Software Ltd. (AXA)	Development and production of software products	US$1,000 thousand	Indirect	(Note D)	-	-	(Note D)	100%	(16,133)	8,104	-

Accumulated Investment in Mainland China as of December 31, 2010	Investment Amounts Approved by the Investment Commission, MOEA	Maximum Allowable Limit on Investment
$1,568,126 (US$53,832 thousand) (Note E)	$2,563,440 (US$88,000 thousand)	$8,176,568 (Note G)

Note A: The financial statements used as basis of net asset values were all audited.

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

(Continued)

Note C: Which remittance by Advantech Technology Co., Ltd.

Note D: Which remittance by Advantech Automation Corp. (H.K.) Limited.

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

Note F: The exchange rate was US$1.00=NT$29.13.

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

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