

Advantech Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2011 and 2010 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, 2011 and 2010, 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, 2011 and 2010 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 8.41% (NT\$1,743,959 thousand) and 9.41% (NT\$1,632,267 thousand) of the Company's total assets as of December 31, 2011 and 2010, respectively. Also, the equity in the investees' net gains was 5.13% (NT\$207,433 thousand) and 4.45% (NT\$148,899 thousand) of the Company's income before income tax in 2011 and 2010, 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, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2011 and 2010 and have expressed a modified unqualified opinion on those consolidated financial statements in our report (not presented herewith) dated March 22, 2012.

March 22, 2012

Notice to Readers

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

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

ADVANTECH CO., LTD.
**BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

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

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 752,205	4	\$ 752,681	5	Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 19)	\$ 53,516	-	\$ 35,755	-
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 19)	57,204	-	47,434	-	Accounts payable	575,300	3	513,385	3
Notes receivable (Note 2)	90,955	-	44,009	-	Accounts payable - related parties (Note 17)	1,413,342	7	1,183,816	7
Accounts receivable, net of allowance for doubtful accounts of \$4,234 thousand in 2011 and \$5,500 thousand in 2010 (Note 2)	771,892	4	709,650	4	Income tax payable (Notes 2 and 14)	331,218	2	365,056	2
Accounts receivable - related parties, net (Notes 2 and 17)	2,394,400	12	1,952,057	11	Accrued expenses (Note 12)	1,093,768	5	903,697	5
Other receivable	46,352	-	48,561	-	Advance receipts and other current liabilities	103,620	-	84,038	1
Other receivable - related parties (Note 17)	31,330	-	38,716	-	Total current liabilities	3,570,764	17	3,085,747	18
Inventories, net (Notes 2 and 7)	1,608,079	8	1,314,920	8	LONG-TERM LIABILITIES				
Deferred income tax assets - current (Notes 2 and 14)	31,671	-	33,651	-	Convertible bonds payable (Notes 10 and 19)	760,331	4	-	-
Prepayments and other current assets	11,573	-	14,091	-	OTHER LIABILITIES				
Available-for-sale financial assets - current (Notes 2, 6 and 19)	365,149	2	-	-	Accrued pension cost (Notes 2 and 11)	102,678	1	104,210	1
Total current assets	6,160,810	30	4,955,770	28	Deferred income tax liabilities - noncurrent (Notes 2 and 14)	455,974	2	362,792	2
LONG-TERM INVESTMENTS					Deferred credits (Note 2)	264,556	1	249,608	1
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 19)	2,309,762	11	2,662,177	15	Others (Notes 2 and 8)	159	-	5,722	-
Investments accounted for by the equity method (Notes 2 and 8)	8,268,164	40	7,242,511	42	Total other liabilities	823,367	4	722,332	4
Total long-term investments	10,577,926	51	9,904,688	57	Total liabilities	5,154,462	25	3,808,079	22
PROPERTIES (Notes 2 and 9)					SHAREHOLDERS' EQUITY				
Cost					Capital stock				
Land	2,613,941	12	1,113,352	6	Capital stock, NT\$10.00 par value				
Buildings	1,216,732	6	1,182,812	7	Authorized - 600,000 thousand shares				
Machinery and equipment	543,819	3	451,039	3	Issued and outstanding - 551,797 thousand shares in 2011 and 501,634 thousand shares in 2010	5,517,971	27	5,016,337	29
Furniture and fixtures	144,116	1	115,997	1	Advance receipts for common stock	61,161	-	-	-
Other equipment	281,299	1	242,815	1	Total capital stock	5,579,132	27	5,016,337	29
Total cost	4,799,907	23	3,106,015	18	Capital surplus				
Less: Accumulated depreciation	892,923	4	743,571	4	Additional paid-in capital from share issuance in excess of par	3,751,469	18	4,253,103	25
	3,906,984	19	2,362,444	14	From long-term equity investments	59,191	-	59,898	-
Construction in progress and prepayments for equipment	23,118	-	13,964	-	Stock options	207,039	1	79,849	-
Properties, net	3,930,102	19	2,376,408	14	Total capital surplus	4,017,699	19	4,392,850	25
OTHER ASSETS					Retained earnings				
Refundable deposits	5,787	-	7,025	-	Legal reserve	2,359,911	12	2,102,592	12
Deferred expenses, net (Note 2)	74,297	-	97,627	1	Special reserve	621,662	3	70,136	-
Total other assets	80,084	-	104,652	1	Unappropriated earnings	3,561,361	17	2,573,186	15
					Total retained earnings	6,542,934	32	4,745,914	27
					Others				
					Cumulative translation adjustments	105,408	-	(215,759)	(1)
					Net loss not recognized as pension cost	(2,121)	-	(2,121)	-
					Unrealized loss on financial instruments	(648,592)	(3)	(403,782)	(2)
					Total others	(545,305)	(3)	(621,662)	(3)
					Total shareholders' equity	15,594,460	75	13,533,439	78
TOTAL	\$ 20,748,922	100	\$ 17,341,518	100	TOTAL	\$ 20,748,922	100	\$ 17,341,518	100

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

(With Deloitte & Touche audit report dated March 22, 2012)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2 and 17)				
Sales	\$ 18,449,519	99	\$ 16,331,113	100
Sales returns and allowances	<u>89,762</u>	<u>-</u>	<u>160,417</u>	<u>1</u>
Net sales	18,359,757	99	16,170,696	99
Other operating revenue	<u>259,998</u>	<u>1</u>	<u>207,233</u>	<u>1</u>
Total operating revenue	18,619,755	100	16,377,929	100
OPERATING COSTS (Notes 15 and 17)	<u>13,510,675</u>	<u>73</u>	<u>12,164,539</u>	<u>74</u>
GROSS PROFIT	5,109,080	27	4,213,390	26
UNREALIZED INTERCOMPANY GAINS (Note 2)	(200,167)	(1)	(185,219)	(1)
REALIZED INTERCOMPANY GAINS (Note 2)	<u>185,219</u>	<u>1</u>	<u>120,265</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>5,094,132</u>	<u>27</u>	<u>4,148,436</u>	<u>26</u>
OPERATING EXPENSES (Notes 15 and 17)				
Marketing	424,922	2	387,609	2
Administration	445,900	2	428,026	3
Research and development	<u>1,633,994</u>	<u>9</u>	<u>1,306,321</u>	<u>8</u>
Total operating expenses	<u>2,504,816</u>	<u>13</u>	<u>2,121,956</u>	<u>13</u>
OPERATING INCOME	<u>2,589,316</u>	<u>14</u>	<u>2,026,480</u>	<u>13</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 17)	961	-	2,265	-
Investment income recognized under the equity method, net (Notes 2 and 8)	831,875	4	934,087	6
Foreign exchange gain, net (Note 2)	64,052	-	-	-
Royalty revenue (Note 17)	325,933	2	272,423	2
Rental revenue (Note 17)	33,949	-	7,836	-
Valuation gain on financial instruments, net (Notes 2 and 5)	121,127	1	99,740	-
Dividend income	117,612	1	102,470	-
Other income (Note 17)	<u>151,884</u>	<u>1</u>	<u>116,273</u>	<u>1</u>
Total nonoperating income and gains	<u>1,647,393</u>	<u>9</u>	<u>1,535,094</u>	<u>9</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 17)	\$ 14,357	-	\$ 2,048	-
Exchange loss (Note 2)	-	-	154,057	1
Loss on sale of investments, net	36,963	-	45,226	-
Valuation loss on financial instruments, net (Notes 2 and 5)	139,504	1	12,780	-
Other expenses	482	-	3,625	-
Total nonoperating expenses and losses	191,306	1	217,736	1
INCOME BEFORE INCOME TAX	4,045,403	22	3,343,838	21
INCOME TAX EXPENSE (Notes 2 and 14)	492,665	3	304,407	2
NET INCOME	\$ 3,552,738	19	\$ 3,039,431	19
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 16)				
Basic	\$ 7.33	\$ 6.44	\$ 6.06	\$ 5.51
Diluted	\$ 7.32	\$ 6.43	\$ 6.05	\$ 5.50

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

(With Deloitte & Touche audit report dated March 22, 2012)

ADVANTECH CO., LTD.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	Capital Stock - Issued and Outstanding (Note 12)			Capital Surplus (Notes 2 and 12)					Retained Earnings (Notes 2 and 12)				Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized As Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments (Notes 2 and 19)	Treasury Stock (Notes 2 and 13)	Total Shareholders' Equity	
	Shares (Thousands)	Amount	Advance Common Receipts for Common Stock	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, 2010	516,134	\$ 5,161,337	\$ -	\$ 4,376,041	\$ 13,612	\$ 59,911	\$ 5,257	\$ 4,454,821	\$ 1,927,459	\$ 1,135,596	\$ 1,754,111	\$ 4,817,166	\$ 227,050	\$ (2,353)	\$ (294,833)	\$ (1,385,698)	\$ 12,977,490	
Appropriation of the 2009 earnings																		
Legal reserve	-	-	-	-	-	-	-	-	175,133	-	(175,133)	-	-	-	-	-	-	
Cash dividends - 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 cost 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)	
Change 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	
Appropriation of the 2010 earnings																		
Legal reserve	-	-	-	-	-	-	-	-	257,319	-	(257,319)	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	551,526	(551,526)	-	-	-	-	-	-	
Stock dividends - NT\$0.10 per share	50,163	501,634	-	(501,634)	-	-	-	(501,634)	-	-	-	-	-	-	-	-	-	
Cash dividends - NT\$3.50 per share	-	-	-	-	-	-	-	-	-	-	(1,755,718)	(1,755,718)	-	-	-	-	(1,755,718)	
Net income in 2011	-	-	-	-	-	-	-	-	-	-	3,552,738	3,552,738	-	-	-	-	3,552,738	
Issuance of convertible bonds	-	-	-	-	-	-	44,716	44,716	-	-	-	-	-	-	-	-	44,716	
Employee stock options	-	-	61,161	-	-	-	-	-	-	-	-	-	-	-	-	-	61,161	
Compensation cost recognized for employee stock options	-	-	-	-	-	-	82,474	82,474	-	-	-	-	-	-	-	-	82,474	
Company's proportional recognition of the changes in investees' equity in their investments	-	-	-	-	-	(707)	-	(707)	-	-	-	-	-	-	-	-	(707)	
Changes in unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(184,625)	-	(184,625)	
Equity in the changes in unrealized valuation loss on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(60,185)	-	(60,185)	
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	321,167	-	-	-	321,167	
BALANCE, DECEMBER 31, 2011	551,797	\$ 5,517,971	\$ 61,161	\$ 3,751,469	\$ -	\$ 59,191	\$ 207,039	\$ 4,017,699	\$ 2,359,911	\$ 621,662	\$ 3,561,361	\$ 6,542,934	\$ 105,408	\$ (2,121)	\$ (648,592)	\$ -	\$ 15,594,460	

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

(With Deloitte & Touche audit report dated March 22, 2012)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,552,738	\$ 3,039,431
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	225,910	192,001
Amortization of discount on convertible bonds	9,388	-
Reversal of allowance for doubtful accounts	(1,266)	(10,560)
Allowance (reversal of allowance) for loss on inventories	(5,736)	32,059
Loss on disposal of scrap inventories	52,409	47,992
Gain on disposal of long-term equity investments, net	(13,508)	(5,631)
Loss on the sale of available-for-sale financial assets, net	50,471	50,857
Loss (gain) on disposal of property, plant and equipment, net	196	(13)
Investment income recognized under the equity method, net	(831,875)	(934,087)
Cash dividends received from equity-method investees	168,510	130,128
Compensation cost of employee stock options	82,474	74,592
Accrued pension cost	(1,532)	1,245
Deferred income tax	96,052	67,373
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	7,991	(605)
Notes receivable	(46,946)	(22,855)
Accounts receivable	(60,976)	(100,554)
Accounts receivable - related parties	(442,343)	(473,537)
Other receivables	2,209	(9,402)
Other receivables - related parties	7,386	(7,314)
Inventories	(339,832)	(565,432)
Prepayments and other current assets	2,518	96,827
Accounts payable	61,915	80,597
Accounts payable - related parties	229,526	69,823
Income tax payable	(33,838)	220,655
Accrued expenses	184,841	196,003
Receipts in advance and other current liabilities	19,580	(2,138)
Deferred credits	14,948	64,955
Net cash provided by operating activities	<u>2,991,210</u>	<u>2,232,410</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(365,000)	-
Proceeds of capital reduction of available-for-sale financial assets	3,109	1,645
Proceeds of the disposal of available-for-sale financial assets	114,061	148,964
Acquisition of investments accounted for by the equity method	(141,562)	(1,179,214)
Proceeds of the disposal of equity-method investments	26,873	13,172
Proceeds of the liquidation of equity-method investments	20,622	-
Proceeds of the disposal of properties	403	152

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Acquisition of properties	\$ (1,716,387)	\$ (124,650)
Increase in deferred charges	(40,486)	(39,831)
Decrease (increase) in refundable deposits	<u>1,238</u>	<u>(335)</u>
Net cash used in investing activities	<u>(2,097,129)</u>	<u>(1,180,097)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(1,755,718)	(2,006,535)
Issuance of convertible bonds	800,000	-
Employee stock options	<u>61,161</u>	<u>-</u>
Net cash used in financing activities	<u>(894,557)</u>	<u>(2,006,535)</u>
NET DECREASE IN CASH	(476)	(954,222)
CASH, BEGINNING OF YEAR	<u>752,681</u>	<u>1,706,903</u>
CASH, END OF YEAR	<u>\$ 752,205</u>	<u>\$ 752,681</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 14,357</u>	<u>\$ 2,048</u>
Income tax paid	<u>\$ 430,451</u>	<u>\$ 16,379</u>

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

(With Deloitte & Touche audit report dated March 22, 2012)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

1. ORGANIZATION AND OPERATIONS

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

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

As of December 31, 2011 and 2010, the Company had 1,826 and 1,542 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current and Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When these assets are 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 trade date accounting.

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

Cash dividends are recognized as investment income on the ex-dividend date 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; and open-end mutual funds - at net asset values.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any decrease in impairment loss on 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 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.

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

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

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

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

Inventories

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

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

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

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

Properties

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

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

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

Deferred Expenses

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

Asset Impairment

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

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

Stock-based Compensation

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

Convertible Bonds Payable

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

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

Pension Cost

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

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

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

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

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

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

Foreign-currency Transactions

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

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates, and the exchange differences are recognized in profit or loss.

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

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2010 have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2011.

3. ACCOUNTING CHANGES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables being now covered by SFAS No. 34; (2) amendment of the scope of the applicability of SFAS No. 34 to insurance contracts; (3) inclusion of loans and receivables originated by the Company in the items covered by SFAS No. 34; (4) the requirement to disclose additional guidelines on impairment testing of financial assets carried at amortized cost if the asset issuer or obligor has financial difficulties and the terms of obligations on the assets have been modified; and (5) the requirement to disclose a debtor's accounting treatment for modifications in the terms of its obligations. This accounting change had no significant impact on the Company's financial statements as of and for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information on the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Company restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH

	December 31	
	2011	2010
Cash on hand	\$ 1,556	\$ 1,523
Checking accounts and demand deposits	750,649	746,150
Time deposits: Interest - 0.25% in 2010	<u>-</u>	<u>5,008</u>
	<u>\$ 752,205</u>	<u>\$ 752,681</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
<u>Financial assets held for trading</u>		
Forward exchange contracts	<u>\$ 57,204</u>	<u>\$ 47,434</u>
<u>Financial liabilities held for trading</u>		
Forward exchange contracts	<u>\$ 53,516</u>	<u>\$ 35,755</u>

Outstanding forward exchange contracts as of December 31, 2011 and 2010 were as follows:

	Currency	Maturity	Amount (Thousands)
<u>December 31, 2011</u>			
Sell	EUR/NTD	January 2012 - June 2012	EUR5,500/NTD223,957
	EUR/USD	January 2012 - June 2012	EUR13,000/USD18,419
	USD/NTD	January 2012 - June 2012	USD44,935/NTD1,308,802
	JPY/USD	January 2012 - April 2012	JPY120,000/USD1,517
	JPY/NTD	January 2012 - April 2012	JPY140,000/NTD52,273
<u>December 31, 2010</u>			
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

The Company entered into forward exchange contracts in 2011 and 2010 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 losses of \$18,377 thousand in 2011 and net gains of \$86,960 thousand in 2010.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Mutual funds	\$ 365,149	\$ -	\$ -	\$ -
Quoted domestic stocks				
ASUSTEK Computer Inc.	-	1,576,266	-	1,749,382
Pegatron Corp.	-	609,132	-	776,436
Chunghwa Telecom Co., Ltd.	-	124,364	-	115,192
Quoted overseas stocks				
SG Advantech Co., Ltd.	-	-	-	21,167
	<u>\$ 365,149</u>	<u>\$ 2,309,762</u>	<u>\$ -</u>	<u>\$ 2,662,177</u>

7. INVENTORIES, NET

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Finished goods	\$ 476,295	\$ 465,812
Work in process	246,369	278,490
Materials and supplies	877,218	560,160
Goods in transit	<u>8,197</u>	<u>10,458</u>
	<u>\$ 1,608,079</u>	<u>\$ 1,314,920</u>

As of December 31, 2011 and 2010, the allowances for loss were \$117,082 thousand and \$122,818 thousand, respectively.

As of December 31, 2011 and 2010, the costs of goods sold related to inventories were \$13,510,675 thousand and \$12,164,539 thousand, respectively, which included a recovery of loss on inventories of \$5,736 thousand and a loss of \$52,409 thousand on inventory scrap disposal for 2011, and an allowance for loss of \$32,059 thousand and a loss of \$47,992 thousand on inventory scrap disposal for 2010.

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Carrying Amount</u>	<u>% of Ownership</u>	<u>Carrying Amount</u>	<u>% of Ownership</u>
<u>Listed</u>				
Axiomtek Co., Ltd.	<u>\$ 326,510</u>	26.55	<u>\$ 349,505</u>	27.58
<u>Unlisted</u>				
Advantech Technology Co., Ltd.	2,648,285	100.00	2,378,743	100.00
Advantech Automation Corp. (BVI)	2,430,970	100.00	2,012,079	100.00
Advantech Europe Holding B.V. (AEUH)	927,895	100.00	846,675	100.00
Advantech Investment Fund-A Co., Ltd.	859,697	100.00	873,155	100.00
Advansus Corp.	228,914	50.00	241,066	50.00
Advantech Japan Co., Ltd.	194,469	100.00	153,994	100.00
ACA Digital Corporation	189,068	99.36	-	-
Advantech KR Co., Ltd.	140,733	100.00	96,480	100.00
Advantech Co. Singapore Pte, Ltd.	99,476	100.00	81,178	100.00
Advantech Intelligent Service	80,772	100.00	51,687	100.00
Advantech Australia Pty Ltd.	75,745	100.00	71,759	100.00
Advantech Co. Malaysia Sdn. Bhd.	39,112	100.00	33,496	100.00
Advantech Brazil S/A	26,518	43.28	18,150	43.28
Advantech Hungary Ltd.	-	30.00	13,813	30.00
Advantech (HK) Technology Co., Ltd.	-	100.00	-	100.00
Advantech (YanShun) Holding Co., Ltd.	-	-	<u>20,731</u>	100.00
	<u>7,941,654</u>		<u>6,893,006</u>	
Long-term equity-method investments	<u>\$ 8,268,164</u>		<u>\$ 7,242,511</u>	

The financial statements of the following investees had been audited by other auditors, i.e., not the Company's auditors: In 2011 and 2010 - 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.; Advantech Brazil S/A; 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.

In 2011, the Company acquired ACA Digital Corporation for \$141,562 thousand to complete the Company's line of robust industrial products in portable computing and to expand the Company's product development for a stronger presence in the automation industry.

On November 2, 2010, through AEUH, the Company wholly acquired 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, through AEUH, the Company wholly acquired DLoG GmbH, a subsidiary of Augusta Technologies 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.

Movements in 2011 and 2010 of the difference allocated to goodwill arising from the above acquisition were as follows:

	Years Ended December 31	
	2011	2010
Cost		
Balance, beginning of year	\$ 93,108	\$ 115,712
Amount recognized on acquisition of investments	68,970	-
Amount derecognized on disposal of investments	(357)	(218)
Translation adjustment	<u>282</u>	<u>(22,386)</u>
Balance, end of year	<u>\$ 162,003</u>	<u>\$ 93,108</u>

On December 31, 2011 and 2010, the Company intended to support the operations of Advantech (HK) Technology Co., Ltd. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of December 31, 2011 and 2010, there were credit balances on the carrying value of this investment of \$159 thousand and \$5,722 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, 2011 and 2010, were \$399,464 thousand and \$813,663 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, 2011 and 2010.

9. PROPERTY, PLANT AND EQUIPMENT

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

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

	Year Ended December 31, 2010				Ending Balance
	Beginning Balance	Acquisition	Disposal	Re-classification	
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
	<u>2,998,776</u>	<u>\$ 65,221</u>	<u>\$ 11,938</u>	<u>\$ 53,956</u>	<u>3,106,015</u>
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
	<u>628,161</u>	<u>\$ 127,209</u>	<u>\$ 11,799</u>	<u>\$ -</u>	<u>743,571</u>
	2,370,615				2,362,444
Construction in progress and prepayments for equipment	9,390	\$ 59,429	\$ -	\$ (54,855)	13,964
	<u>\$ 2,380,005</u>				<u>\$ 2,376,408</u>

10. BONDS PAYABLE

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Unsecured domestic convertible bonds	\$ 800,000	\$ -
Deduct: Unamortized discount on bonds payable	<u>(39,669)</u>	<u>-</u>
	<u>\$ 760,331</u>	<u>\$ -</u>

On May 26, 2011, the Company issued three-year unsecured convertible bonds, with an aggregate face value of \$800,000 thousand and a coupon rate of 0%; the effective interest rate was 2.13%. Bondholders may convert the bonds into the Company's common shares at agreed conversion price between May 27, 2012 and May 16, 2014. If the bonds are not converted, the Company should redeem the bonds at their face value upon maturity. Under Statement of Financial Accounting Standard (SFAS) No. 36 - "Financial Instruments: Disclosure and Presentation," the Company has bifurcated the bonds into their liability and equity components. The bonds had been recorded as stock options from capital surplus amounting to \$44,716 thousand and bonds payable amounting to \$750,943 thousand. As of December 31, 2011, the conversion price was NT\$82.36 per share.

11. PENSION PLAN

Under the Labor Pension Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension costs under the defined contribution plan were \$67,631 thousand in 2011 and \$54,865 thousand in 2010.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points, and the benefits are based on employees' average monthly salaries or wages for the six months before retirement.

Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and makes monthly contributions at 2% of salaries and wages to a pension fund, which is administered by a pension plan committee and deposited in the committee's names in the Bank of Taiwan. The pension costs under the defined benefit pension plan were \$8,045 thousand for 2011 and \$8,714 thousand for 2010. As of December 31, 2011 and 2010, the pension fund balances were \$116,891 thousand and \$108,750 thousand, respectively.

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

a. Components of net pension cost:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 3,882	\$ 4,066
Interest cost	4,591	5,118
Projected return on plan assets	(2,250)	(2,292)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	<u>1,822</u>	<u>1,822</u>
	<u>\$ 8,045</u>	<u>\$ 8,714</u>

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

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation	\$ 13,931	\$ 6,225
Non-vested benefit obligation	154,359	135,518
Accumulated benefit obligation	168,290	141,743
Additional benefits based on future salaries	101,743	87,796
Projected benefit obligation	270,033	229,539
Fair value of plan assets	<u>(116,891)</u>	<u>(108,750)</u>
Funded status	153,142	120,789
Unrecognized net transition obligation	(7,289)	(9,112)
Unrecognized net gain	<u>(43,175)</u>	<u>(7,467)</u>
 Accrued pension liabilities	 <u>\$ 102,678</u>	 <u>\$ 104,210</u>
 Vested benefit	 <u>\$ 16,726</u>	 <u>\$ 7,705</u>

c. Actuarial assumptions

	2011	2010
Discount rate used in determining present values of plan assets	2.00%	2.00%
Future salary increase rate	3.25%	3.25%
Expected rate of return on plan assets	2.00%	2.00%

	Years Ended December 31	
	2011	2010
d. Contributions to the fund	<u>\$ 9,578</u>	<u>\$ 7,469</u>
e. Payments from the fund	<u>\$ 2,495</u>	<u>\$ 2,128</u>

12. 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. Under the revised Company Law issued on January 4, 2012, the forego capital surplus may also be distributed in cash.

Appropriation of Earnings and Dividend Policy

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

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

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

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

The bonus to employees and remunerations to directors and supervisors of \$72,000 thousand for 2011 and \$30,000 thousand for 2010 (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 and cumulative transaction adjustments) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Company's paid-in capital. This reserve may be used only to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

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

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2010	2009	2010	2009
Legal reserve	\$ 257,319	\$ 175,133		
Special reserve (reversal)	551,526	(1,065,460)		
Cash dividends	1,755,718	2,006,535	\$3.50	\$4.00

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

	Cash	
	Years Ended December 31	
	2010	2009
Bonus to employees	\$ 20,000	\$ 175,000
Remuneration to directors and supervisors	10,000	3,000

There was no significant difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements.

At their meeting on May 25, 2011, the shareholders approved the issuance of 50,163 thousand common shares from capital surplus, which amounted to \$501,634 thousand. This issuance was approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved July 17, 2011 as the date of issuance, and the Company then completed its revised registration with the Ministry of Economic Affairs.

The appropriation of the 2011 earnings were proposed in the board of directors' meeting on March 22, 2012. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 356,136	\$ -
Cash dividends	2,764,981	5.0
Stock dividends	-	-

The appropriation from the 2011 earnings of the bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting on June 13, 2012.

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

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

Other information on employee stock options is as follows:

	Year Ended December 31			
	2011		2010	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of year	13,000	\$60.35	10,000	\$58.24
Options granted	-	-	3,000	67.40
Options exercised	<u>1,199</u>	51.01	<u>-</u>	-
Balance, end of year	<u>11,801</u>	53.05	<u>13,000</u>	-
Options exercisable, end of year	<u>4,000</u>	51.01	<u>-</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$16.45-\$20.25</u>		<u>\$16.45-\$20.25</u>	

Information on outstanding options as of December 31, 2011 and 2010 is as follows:

	December 31			
	2011		2010	
	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2010	\$59.03	3.53	\$67.40	4.53
Issuance in 2009	51.01	2.92	58.24	3.92

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

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

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

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

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

Compensation costs recognized were \$82,474 thousand in 2011 and \$74,592 thousand in 2010.

13. 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
<u>Year ended December 31, 2010</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>14,500</u>	<u>-</u>

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

14. INCOME TAX

- a. A reconciliation of income tax expense based on income before income tax at the statutory rate of 17% and income tax expense was as follows:

	<u>December 31</u>	
	2011	2010
Tax on pretax income at statutory rate	\$ 687,718	\$ 568,453
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(38,440)	5,719
Other	(28,855)	(41,407)
Temporary differences	(56,112)	(104,779)
Additional 10% income tax on unappropriated earnings	862	-
Investment tax credit	<u>(168,560)</u>	<u>(180,952)</u>
Income tax currently payable	<u>\$ 396,613</u>	<u>\$ 247,034</u>

- b. Income tax expense consisted of the following:

	<u>December 31</u>	
	2011	2010
Income tax currently payable	\$ 396,613	\$ 247,034
Income tax expense		
Temporary differences	96,052	110,277
Effect of tax law changes on deferred income tax	-	(34,816)
Adjustment in valuation allowance due to changes in tax laws	-	(8,088)
Adjustments for prior years' tax	<u>-</u>	<u>(10,000)</u>
	<u>\$ 492,665</u>	<u>\$ 304,407</u>

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

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

	December 31	
	2011	2010
Balance, beginning of year	\$ 365,056	\$ 144,401
Income tax currently payable	396,613	247,034
Payment	(430,451)	(16,379)
Adjustments for prior year's tax	<u>-</u>	<u>(10,000)</u>
Balance, end of year	<u>\$ 331,218</u>	<u>\$ 365,056</u>

- d. Net deferred income tax assets (liabilities) as of December 31, 2011 and 2010 were as follows:

	December 31	
	2011	2010
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 19,904	\$ 20,879
Exchange losses	5,321	7,487
Unrealized product warranty reserve	<u>6,446</u>	<u>5,285</u>
Deferred income tax assets, net	<u>\$ 31,671</u>	<u>\$ 33,651</u>
Noncurrent		
Deferred income tax assets		
Deferred credits	\$ 34,028	\$ 31,487
Accumulated equity in the net loss of foreign investees	30,406	45,409
Pension cost	<u>17,465</u>	<u>17,725</u>
	81,899	94,621
Valuation allowance	<u>(30,406)</u>	<u>(45,409)</u>
	<u>51,493</u>	<u>49,212</u>
Deferred income tax liabilities		
Accumulated equity in the net gains of foreign investees	<u>(507,467)</u>	<u>(412,004)</u>
Deferred income tax liabilities, net	<u>\$ (455,974)</u>	<u>\$ (362,792)</u>

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

e. As of December 31, 2011, the Company's five years' exemption from income tax was as follows:

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

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

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Balance of the imputation credit account (ICA)	<u>\$ 209,341</u>	<u>\$ 2,762</u>

The expected and actual creditable tax ratios for the earnings of 2011 and 2010, respectively, were 12.23% and 9.10%, respectively. The ratio for the imputation credit allocated to the shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. Thus, the expected creditable ratio may be adjusted, depending on the ICA balance on the date of dividend distribution.

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

15. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>2011</u>			<u>2010</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 299,173	\$ 1,410,588	\$ 1,709,761	\$ 320,530	\$ 1,240,834	\$ 1,561,364
Insurance	30,402	81,611	112,013	24,486	64,915	89,401
Pension	18,091	57,585	75,676	14,867	48,712	63,579
Others	<u>27,523</u>	<u>52,983</u>	<u>80,506</u>	<u>23,823</u>	<u>47,967</u>	<u>71,790</u>
	<u>\$ 375,189</u>	<u>\$ 1,602,767</u>	<u>\$ 1,977,956</u>	<u>\$ 383,706</u>	<u>\$ 1,402,428</u>	<u>\$ 1,786,134</u>
Depreciation	\$ 30,998	\$ 129,731	\$ 160,729	\$ 32,354	\$ 94,855	\$ 127,209
Amortization	9,868	55,313	65,181	11,638	53,154	64,792

16. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>2011</u>					
Basic EPS	\$ 4,045,403	\$ 3,552,738	551,797	<u>\$ 7.33</u>	<u>\$ 6.44</u>
The impact of dilutive potential common shares					
Bonuses to employees	-	-	<u>481</u>		
Diluted EPS	<u>\$ 4,045,403</u>	<u>\$ 3,552,738</u>	<u>552,278</u>	<u>\$ 7.32</u>	<u>\$ 6.43</u>

(Continued)

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousands)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>2010</u>					
Basic EPS	\$ 3,343,838	\$ 3,039,431	551,797	<u>\$ 6.06</u>	<u>\$ 5.51</u>
The impact of dilutive potential common shares					
Bonuses to employees	<u>-</u>	<u>-</u>	<u>242</u>		
Diluted EPS	<u>\$ 3,343,838</u>	<u>\$ 3,039,431</u>	<u>552,039</u>	<u>\$ 6.05</u>	<u>\$ 5.50</u>

(Concluded)

The amount of earnings per share increases when the employee's stock option is taken into consideration, which means that the employee's stock option has an anti-dilutive effect. Therefore, the employee's stock option should not be considered when calculating the diluted earnings per share.

The Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company decides to grant bonuses to employees by cash or shares, the Company should assume that the entire amount of the bonus will be settled in shares, and, if the shares have a dilutive effect, the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation had been retroactively adjusted for the issuances of stock from capital surplus. For 2010, this adjustment caused the basic before and after income tax EPS to decrease from NT\$6.67 to NT\$6.06 and from NT\$6.06 to NT\$5.51, respectively, and the diluted before and after income tax EPS to decrease from NT\$6.63 to NT\$6.05 and from NT\$6.03 to NT\$5.50, respectively.

17. RELATED-PARTY TRANSACTIONS

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Advantech Investment Fund-A Co., Ltd. ("Advantech Fund-A")	Equity-method investee
Axiomtek Co., Ltd. ("Axiomtek")	Equity-method investee
Advansus Corp.	Equity-method investee
Advantech Intelligate Service (AiST)	Equity-method investee
ACA Digital Corporation (ACA)	Equity-method investee
Advantech Europe Holding B.V. (AEUH)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech KR Co., Ltd. (AKR)	Equity-method investee

(Continued)

Related Party	Relationship with the Company
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (Yanshun) Holding Co., Ltd. (AYS)	Equity-method investee (AYS was fully liquidated in April 2011)
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech (HK) Technology Co., Ltd. (AHK)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC [BVI])	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd. (AMY)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Europe B.V. (AEU)	Equity-method investee of AEUH
Advantech Poland Sp. Z o.o. (APL)	Equity-method investee of AEUH
DLoG GmbH (A-DLoG)	Equity-method investee of AEUH
Innocore Holding Limited (Innocore)	Equity-method investee of AEU
Innocore Gaming Ltd. (UK) (IGL)	Equity-method investee of Innocore
Advantech Automation Corp. (H.K.) Limited (AAC [HK])	Equity-method investee of AAC (BVI)
HK Advantech Technology Co., Ltd. (ATC[HK])	Equity-method investee of ATC
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Corp. (ANA)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (HK)
Yan Hua Xing Ye Electronic (SHHQ)	Equity-method investee of AAC (HK) (SHHQ was fully liquidated in April 2011)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Equity-method investee of AAC (HK)
Xi'an Advantech Software Ltd. (AXA)	Equity-method investee of AAC (HK)
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. ("Netstar")	Equity-method investee of Advantech Fund-A
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. ("Broadwin")	Equity-method investee of Advantech Fund-A
Cermate Technologies Inc. ("Cermate")	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	Equity-method investee of Netstar
Avalue Technology Inc. ("Avalue")	The Company's chairman ceased to be Avalue's director on June 9, 2011.
Advantech International Co., Ltd.	Advantech International Co., Ltd.'s owner is a second-degree relative of the Company's chairman
K&M Investment Co., Ltd. (K&M)	The spouse of the Company's chairman is K&M's director
AIDC Investment Corp. (AIDC)	The spouse of the Company's chairman is AIDC's director
Hangzhou Advantofine Automation Co., Ltd. ("Advantofine")	Equity-method investee of ACN

(Concluded)

The Company's related parties, in addition to those listed above, are shown in Table 8.

- b. The significant transactions with the above related parties, in addition to those disclosed in Note 18 and Table 2, are summarized as follows:

	2011		2010	
	Amount	% to Total	Amount	% to Total
<u>For the year</u>				
Sales				
ANA	\$ 5,299,400	28	\$ 4,565,991	28
AEU	2,369,391	13	1,881,081	12
ACN	2,168,638	12	2,066,881	13
AiSC	1,686,624	9	1,551,083	9
AKMC	424,309	2	442,806	3
AKR	391,402	2	419,833	3
AJP	360,905	2	389,935	2
AAU	166,614	1	144,304	1
ASG	120,936	1	127,918	1
ABR	90,944	1	96,394	1
ATH	52,863	1	29,156	-
ACA	44,244	-	-	-
AMY	37,871	-	32,753	-
Axiomtek	26,895	-	19,339	-
AiST	26,378	-	-	-
Avalue	21,205	-	29,469	-
A-DLoG	14,844	-	1,527	-
APL	10,324	-	11,930	-
Advansus Corp.	10,288	-	14,585	-
Netstar	6,519	-	6,397	-
Innocore	6,151	-	-	-
Broadwin	2,158	-	2,353	-
Others	826	-	1,242	-
	<u>\$ 13,339,729</u>	<u>72</u>	<u>\$ 11,834,977</u>	<u>73</u>
Purchase of materials and supplies				
ATC	\$ 6,504,451	48	\$ 5,468,590	45
Advansus Corp.	1,156,603	9	1,936,461	16
AiST	413,480	3	16,450	-
ACA	403,886	3	-	-
ANA	142,695	1	175,396	1
Netstar	75,629	1	67,343	1
Jan Hsiang	19,960	-	21,548	-
Cermate	14,582	-	13,837	-
ACN	12,994	-	4,476	-
AKR	4,713	-	-	-
A-DLoG	4,489	-	-	-
BCM	2,285	-	936	-
AEU	1,741	-	1,143	-
Advantofine	315	-	-	-
Broadwin	190	-	797	-
Axiomtek	130	-	333	-
ASG	13	-	11	-
Others	199	-	146	-
	<u>\$ 8,758,355</u>	<u>65</u>	<u>\$ 7,707,467</u>	<u>63</u>

	2011		2010	
	Amount	% to Total	Amount	% to Total
Operating expenses				
Rental cost				
K&M	\$ 4,914	-	\$ 2,010	-
AIDC	3,491	-	-	-
	<u>8,405</u>	<u>-</u>	<u>2,010</u>	<u>-</u>
Administration expense				
AHK	5,693	-	4,980	-
ASG	5,146	-	-	-
AMY	459	-	-	-
	<u>11,298</u>	<u>-</u>	<u>4,980</u>	<u>-</u>
	<u>\$ 19,703</u>	<u>-</u>	<u>\$ 6,990</u>	<u>-</u>
Nonoperating income				
Royalty revenue for patent				
ATC	\$ 325,933	100	\$ 272,423	100
Interest income				
AKR	-	-	21	1
Office building rental revenues				
Advansus Corp.	7,020	21	7,020	90
BCM	780	2	780	10
Advantech Fund-A	36	-	36	-
	<u>7,836</u>	<u>23</u>	<u>7,836</u>	<u>100</u>
Other income				
ACN	33,447	22	24,960	21
ANA	23,941	16	19,455	17
AJP	17,249	11	14,772	13
Advansus Corp.	17,010	11	22,434	19
AEU	15,547	10	-	-
A-DLoG	6,479	4	-	-
AKR	5,936	4	15,923	14
AAU	3,115	2	-	-
ASG	2,810	2	-	-
AMY	1,763	1	-	-
AIDC	1,500	1	1,500	1
ABR	1,356	1	451	-
Netstar	960	1	880	1
Broadwin	960	1	770	1
Cermate	720	-	400	-
ATH	509	-	-	-
K&M	500	-	500	-
	<u>133,802</u>	<u>87</u>	<u>102,045</u>	<u>87</u>
	<u>\$ 467,571</u>		<u>\$ 382,325</u>	
Nonoperating expense				
Interest expense	\$ 1,783	12	\$ 931	46
Advantech Fund-A	-	-	85	4
AiST				
	<u>\$ 1,783</u>	<u>12</u>	<u>\$ 1,016</u>	<u>50</u>

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

	2011		2010	
	Amount	% to Total	Amount	% to Total
<u>At year-end</u>				
Accounts receivable - related parties				
AEU	\$ 815,784	34	\$ 664,126	34
ANA	502,568	21	535,453	28
ACN	485,057	20	319,076	17
AiSC	419,478	18	227,051	12
AAU	43,870	2	20,918	1
AJP	29,205	1	25,975	1
ASG	27,414	1	16,185	1
AKR	24,000	1	66,081	3
ABR	22,006	1	25,735	1
AMY	6,277	1	2,371	-
ACA	4,634	-	-	-
Netstar	4,009	-	1,418	-
Axiomtek	3,464	-	3,455	-
ATH	3,078	-	4	-
A-DLoG	2,124	-	-	-
APL	807	-	1,628	-
Broadwin	355	-	159	-
Advansus Corp.	230	-	702	-
AKMC	-	-	35,775	2
Avalue	-	-	5,610	-
Others	40	-	335	-
	<u>\$ 2,394,400</u>	<u>100</u>	<u>\$ 1,952,057</u>	<u>100</u>
Other receivables - related parties				
ANA	\$ 11,617	37	\$ 1,380	4
ACN	4,955	16	20,465	53
Advansus Corp.	3,909	12	5,032	13
AEU	2,292	7	1,248	3
AJP	1,876	6	9,770	26
A-DLoG	1,409	5	-	-
AAU	1,075	3	112	-
ASG	957	3	94	-
AKR	934	3	71	-
AMY	547	2	-	-
ABR	470	2	106	-
AiSC	343	2	-	-
Broadwin	270	1	-	-
Netstar	252	1	-	-
BCM	137	-	68	-
AKMC	102	-	83	-
Others	185	-	287	1
	<u>\$ 31,330</u>	<u>100</u>	<u>\$ 38,716</u>	<u>100</u>

	2011		2010	
	Amount	% to Total	Amount	% to Total
Accounts payable - related parties				
ATC	\$ 1,156,197	82	\$ 986,630	84
ACA	130,522	9	-	-
Advansus Corp.	63,319	4	138,332	12
ANA	34,865	3	23,908	2
Netstar	19,952	2	13,061	1
AAC (HK)	1,454	-	-	-
Jan Hsiang	1,266	-	1,694	-
AEU	1,220	-	248	-
A-DLoG	1,081	-	-	-
Cermate	905	-	716	-
AJP	856	-	-	-
AKMC	645	-	-	-
ACN	505	-	1,354	-
ASG	431	-	-	-
AiSC	40	-	259	-
Broadwin	21	-	105	-
AiST	-	-	16,694	1
Others	63	-	815	-
	<u>\$ 1,413,342</u>	<u>100</u>	<u>\$ 1,183,816</u>	<u>100</u>
Acquisition of assets				
ACA	\$ 16,403	-	\$ -	-
Netstar	667	-	-	-
Broadwin	306	-	-	-
Advansus Corp.	21	-	-	-
BCM	10	-	-	-
	<u>\$ 17,407</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Disposal of assets				
ANA	\$ 256	-	\$ -	-
AKMC	89	-	-	-
Advansus Corp.	48	-	-	-
AJP	10	-	-	-
	<u>\$ 403</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

Financing to related parties was as follows:

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

Year Ended December 31, 2010

	Maximum Balance	Ending Balance	Interest Rate	Interest Income
<u>Other receivable - related parties</u>				
AKR	\$ <u>13,000</u> (KRW500,000 thousand)	\$ <u>-</u>	3%	\$ <u>21</u>

Year Ended December 31, 2010

	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
<u>Other payable - related parties</u>				
Advantech Fund-A	\$ 180,000	\$ -	1.1%	\$ 931
AiST	<u>20,000</u>	<u>-</u>	1.1%	<u>85</u>
	<u>\$ 200,000</u>	<u>\$ -</u>		<u>\$ 1,016</u>

c. Security transactions were as follows:

In July 2010, the Company acquired all of AKR's shares from SG Advantech Co., Ltd. for \$73,355 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	
	2011	2010
Salaries and incentives	\$ 49,194	\$ 89,665
Bonus	<u>5,310</u>	<u>2,256</u>
	<u>\$ 54,504</u>	<u>\$ 91,921</u>

18. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2011, the Company had the following guarantees for related parties' loans:

AKMC	<u>\$ 605,500 thousand</u>
Advantech Fund-A	<u>\$ 300,000 thousand</u>
AiST	<u>\$ 200,000 thousand</u>
Advansus Corp.	<u>\$ 100,000 thousand</u>
A-DLoG	<u>\$ 58,770 thousand</u>
ACA	<u>\$ 50,000 thousand</u>
Cermate	<u>\$ 40,000 thousand</u>
AAU	<u>\$ 6,055 thousand</u>

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Available-for-sale financial assets - current	\$ 365,149	\$ 365,149	\$ -	\$ -
Available-for-sale financial assets - noncurrent	2,309,762	2,309,762	2,662,177	\$ 2,662,177
Liabilities				
Convertible bonds payable	760,331	810,484	-	-
<u>Derivative financial instrument location</u>				
Financial assets at fair value through profit or loss - current				
Domestic	123	123	4,680	4,680
Foreign (including a foreign corporation's branch operating in Taiwan)	57,081	57,081	42,754	42,754
Financial liabilities at fair value through profit or loss - current				
Domestic	12,294	12,294	10,050	10,050
Foreign (including a foreign corporation's branch operating in Taiwan)	41,222	41,222	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, refundable deposits, accounts payable and payables to related parties, the carrying amounts of these financial instruments approximated 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 quoted market prices or 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 estimates made using certain valuation techniques, as follows:

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2011	2010	2011	2010
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Available-for-sale financial assets - current	\$ -	\$ -	\$ 57,204	\$ 47,434
Available-for-sale financial assets - noncurrent	365,149	-	-	-
	2,309,762	2,662,177	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Convertible bonds payable	-	-	53,516	35,755
	810,484	-	-	-

- d. As of December 31, 2011 and 2010, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$0 thousand and \$5,008 thousand, respectively, and financial assets exposed to cash flow interest risk amounted to \$749,973 thousand and \$591,093 thousand, respectively.
- e. The Company recognized an unrealized loss of \$184,625 thousand in 2011 and \$127,163 thousand in 2010 in shareholders' equity for the changes in fair value of available-for-sale financial assets. The Company also recognized an unrealized loss of \$60,185 thousand in 2011 and an unrealized gain of \$18,214 thousand in 2010 in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees.
- 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 loss or gain of derivatives will have a negative correlation with the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Company are mainly open-end mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.
 - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if 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 the settlement of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Company keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

20. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 17 and Tables 1 to 8, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2011, accumulated inward remittance of earnings as of December 31, 2011 and maximum allowable limit on investment: Table 9 (attached).
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 17 and 18 and Tables 1, 2, 6 and 7.

21. 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, 2011.

c. Export sales

Geographic Area	2011	2010
America	\$ 5,343,703	\$ 4,570,921
Asia	8,699,070	7,986,446
Europe	<u>2,509,639</u>	<u>2,015,426</u>
	<u>\$ 16,552,412</u>	<u>\$ 14,572,793</u>

d. Major customers

Customer	2011		2010	
	Amount	% to Total	Amount	% to Total
ANA	\$ 5,299,400	28	\$ 4,565,991	28
AEU	2,369,391	13	1,881,081	12
ACN	<u>2,168,638</u>	<u>12</u>	<u>2,066,881</u>	<u>13</u>
	<u>\$ 9,837,429</u>	<u>53</u>	<u>\$ 8,513,953</u>	<u>52</u>

22. SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 598,596	30.275	\$ 18,122,494	\$ 67,437	29.13	\$ 1,964,440
EUR	20,918	39.180	819,567	17,364	38.92	675,807
Nonmonetary items						
USD	1,889	30.275	57,204	1,637	29.13	47,434
Investments accounted for by the equity method						
USD	167,771	30.275	5,079,255	152,246	29.130	4,434,913
EUR	23,683	39.180	927,895	21,754	38.920	846,675
JPY	497,362	0.391	194,469	430,152	0.358	153,994
KRW	5,412,795	0.026	140,733	3,710,764	0.026	96,480
<u>Financial liabilities</u>						
Monetary items						
USD	63,101	30.275	1,910,383	48,683	29.130	1,418,136
Nonmonetary items						
USD	1,768	30.275	53,516	1,227	29.130	35,755

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2011

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

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Year (Note A)	Ending Balance (Note A)	Interest Rate	Nature of Financing	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing That Can be Provided by the Financier
											Item	Value		
1	AEUH	AEU	Other receivable - related parties	\$ 37,613 (EUR 960 thousand)	\$ 19,590 (EUR 500 thousand)	4.00%	Short-term financing	\$ -	Financing need	\$ -	-	-	\$ 1,559,446 (Note B)	\$ 3,118,892 (Note B)
2	ANA	AEU	Other receivable - related parties	30,275 (US\$ 1,000 thousand)	-	2.00%	Short-term financing	-	Financing need	-	-	-	1,559,446 (Note B)	3,118,892 (Note B)
		AKMC	Other receivable - related parties	175,595 (US\$ 5,800 thousand)	169,540 (US\$ 5,600 thousand)	2.00%	Short-term financing	-	Financing need	-	-	-	1,559,446 (Note B)	3,118,892 (Note B)
3	AiSC	ACN	Other receivable - related parties	188,463 (RMB 39,206 thousand)	188,463 (RMB 39,206 thousand)	2.00%	Short-term financing	-	Financing need	-	-	-	240,350 (Note C)	240,350 (Note C)
4	Netstar Technology Co., Ltd.	LANSONIC (B.V.I.)	Other receivable - related parties	3,676	-	-	Short-term financing	-	Financing need	-	-	-	43,328 (Note D)	43,328 (Note D)
5	Broadwin Technology Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	20,000	-	2.00%	Short-term financing	-	Financing need	-	-	-	32,921 (Note D)	32,921 (Note D)
6	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	12,000	-	2.00%	Short-term financing	-	Financing need	-	-	-	344,851 (Note D)	344,851 (Note D)
		Advantech Co., Ltd. (the "Company")	Other receivable - related parties	300,000	-	1.20%	Short-term financing	-	Financing need	-	-	-	344,851 (Note D)	344,851 (Note D)
		ACA	Other receivable - related parties	20,000	-	1.20%	Short-term financing	-	Financing need	-	-	-	344,851 (Note D)	344,851 (Note D)

Notes: A. The exchange rate was EUR1.00=NT\$39.18; US\$1.00=NT\$30.275; and RMB1.00=NT\$4.807.

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2011

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year (Note C)	Ending Balance (Note C)	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	\$ 1,559,446 (Note A)	\$ 605,500 (US\$ 20,000 thousand)	\$ 605,500 (US\$ 20,000 thousand)	\$ -	3.88%	\$ 4,678,338 (Note B)
		Cermate Technologies Inc.	Indirect subsidiary	1,559,446 (Note A)	40,000	40,000	-	0.26%	4,678,338 (Note B)
		Advansus Corp.	Equity-method investee	1,559,446 (Note A)	100,000	100,000	-	0.64%	4,678,338 (Note B)
		Advantech Fund-A	Subsidiary	1,559,446 (Note A)	300,000	300,000	-	1.92%	4,678,338 (Note B)
		ACA	Subsidiary	1,559,446 (Note A)	50,000	50,000	-	0.32%	4,678,338 (Note B)
		AiST	Subsidiary	1,559,446 (Note A)	200,000	200,000	-	1.28%	4,678,338 (Note B)
		AAU	Subsidiary	1,559,446 (Note A)	6,055 (US\$ 200 thousand)	6,055 (US\$ 200 thousand)	-	0.04%	4,678,338 (Note B)
		A-DLoG	Indirect subsidiary	1,559,446 (Note A)	58,770 (EUR 1,500 thousand)	58,770 (EUR 1,500 thousand)	-	0.38%	4,678,338 (Note B)
1	AAC (HK)	AiSC	Indirect subsidiary	1,559,446 (Note A)	599,289 (RMB 124,670 thousand)	599,289 (RMB 124,670 thousand)	-	3.84%	4,678,338 (Note B)

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

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

C. The exchange rate was US\$1.00=NT\$30.275, RMB1.00=NT\$4.807 and EUR1.00=NT\$39.18.

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars/Foreign Currency)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd.	<u>Stock</u>								
	AAC (BVI)	Subsidiary	Long-term equity investments	29,623,834	\$ 2,430,970	100.00	\$ 2,433,118	Note A	
	ATC	"	"	38,750,000	2,648,285	100.00	2,655,909	Note A	
	Advansus Corp.	Equity-method investee	"	18,000,000	228,914	50.00	243,069	Note A	
	Advantech Fund-A	Subsidiary	"	90,000,000	859,697	100.00	862,128	Note A	
	Axiomtek	Equity-method investee	"	20,537,984	326,510	26.55	326,510	Note A	
	AEUH	Subsidiary	"	9,572,024	927,895	100.00	927,895	Note A	
	ASG	"	"	1,450,000	99,476	100.00	99,476	Note A	
	AAU	"	"	500,204	75,745	100.00	75,745	Note A	
	AJP	"	"	1,200	194,469	100.00	194,469	Note A	
	AMY	"	"	2,000,000	39,112	100.00	39,112	Note A	
	AHG	"	"	30	-	30.00	-	Note A	
	AKR	"	"	600,000	140,733	100.00	140,733	Note A	
	ABR	"	"	971,055	26,518	43.28	26,518	Note A	
	AiST	"	"	5,000,000	80,772	100.00	80,772	Note A	
	ACA	"	"	7,948,839	189,068	99.36	189,068	Note A	
	AHK	"	"	Other liability - others	999,999	(159)	100.00	(159)	Notes A and C
	ASUSTek Computer Inc.	-	-	Available for sale financial assets - noncurrent	7,314,461	1,576,266	0.97	1,576,266	Note B
	Chunghwa Telecom Co., Ltd.	-	-	"	1,243,636	124,364	-	124,364	Note B
	Pegatron Corp.	-	-	"	18,486,570	609,132	-	609,132	Note B
Advantech Fund-A	<u>Fund</u>								
	Prudential Well Pool Fund	-	Available for sale financial assets - current	7,633,879.00	100,065	-	100,065	Note D	
	FSITC Money Market Fund	-	"	959,093.15	165,024	-	165,024	Note D	
	Fuh Hwa Money Market	-	"	7,171,749.00	100,060	-	100,060	Note D	
Advantech Fund-A	<u>Stock</u>								
	Netstar Technology Co., Ltd.	Subsidiary	Long-term equity investments	22,446,721	209,189	89.79	209,189	Note A	
	BCM Embedded Computer Inc.	"	"	4,500,000	17,740	100.00	17,740	Note A	
	Broadwin Technology Inc.	"	"	6,777,571	157,521	100.00	157,521	Note A	
	Cermate Technologies Inc.	"	"	5,500,000	84,248	55.00	84,248	Note A	
Axiomtek	Equity-method investee	"	"	1,559,000	36,160	2.02	36,160	Note A	

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	164,952	\$ 16,495	-	\$ 16,495	Note B
	AverMedia Information Inc.	-	Available for sale financial assets - current	808,500	23,447	0.98	23,447	Note B
	COBAN Research and Technologies, Inc.	-	Financial assets carried at cost - noncurrent	600,000	33,257	6.85	33,257	-
	<u>Fund</u> Prudential Well Pool Fund	-	Available for sale financial assets - current	7,632,247.80	100,046	-	100,046	Note D
	FSITC Money Market	-	"	581,523.83	100,058	-	100,058	Note D
	Fuh Hwa Money Market	-	"	6,811,403.00	95,035	-	95,035	Note D
Advansus Corp.	<u>Fund</u> FSITC Money Market	-	Available for sale financial assets - current	465,121.72	80,030	-	80,030	Note D
AiST	<u>Fund</u> FSITC Money Market	-	Available for sale financial assets - current	290,773.75	50,031	-	50,031	Note D
	Fuh Hwa Money Market	-	"	2,581,311.30	36,015	-	36,015	Note D
ATC	<u>Stock</u> ATC (HK)	Subsidiary	Long-term equity investments	41,650,001	1,851,814	100.00	1,851,814	Note A
ATC (HK)	<u>Stock</u> AKMC	Subsidiary	Long-term equity investments	-	1,851,814	100.00	1,851,814	Note A
AAC (BVI)	<u>Stock</u> ANA	Subsidiary	Long-term equity investments	10,952,606	1,275,725	100.00	1,275,725	Note A
	AAC (HK)	"	"	15,230,001	1,156,828	100.00	1,156,828	Note A
ANA	<u>Stock</u> ABR	-	Financial assets carried at cost - noncurrent	375,192	5,524	16.72	5,524	-
AAC (HK)	<u>Stock</u> ACN	Subsidiary	Long-term equity investments	-	621,670	100.00	621,670	Note A
	SHHQ	"	"	-	-	100.00	-	Note A
	AiSC	"	"	-	533,615	100.00	533,615	Note A
	AXA	"	"	-	1,262	100.00	1,262	Note A
ACN	<u>Stock</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	15,771	60.00	15,771	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AEUH	<u>Stock</u> AEU	"	"	8,314,280	\$ 284,374	100.00	\$ 284,374	Note A
	APL	"	"	6,836	36,534	100.00	36,534	Note A
	A-DLoG	"	"	1	596,937	100.00	596,937	Note A
AEU	<u>Stock</u> Innocore	"	"	251,111	153,375	100.00	153,375	Note A
Innocore	<u>Stock</u> IGL	"	"	501,000	38,346	100.00	38,346	Note A
ASG	<u>Stock</u> ATH	"	"	51,000	16,882	51.00	16,882	Note A
Netstar Technology Co., Ltd.	<u>Stock</u> Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	655,500	8,340	28.50	8,340	Note A
Broadwin Technology Inc.	<u>Stock</u> Broadwin Technology Inc.	"	Long-term equity investments	5,643,650	15,179	100.00	15,179	Note A
Cermate Technologies Inc.	<u>Stock</u> Land Mark	"	Long-term equity investments	972,284	44,317	100.00	44,317	Note A
BCM Embedded Computer Inc.	<u>Fund</u> FSITC Money Market	-	Available for sale financial assets - current	61,033.03	10,502	-	10,502	Note D
Broadwin Technology Inc.	<u>Fund</u> FSITC Money Market	-	Available for sale financial assets - current	98,858.33	17,010	-	17,010	Note D
	Fuh Hwa Money Market	-	"	1,434,061.80	20,005	-	20,005	Note D
Land Mark	<u>Stock</u> Cermate (Shanghai)	Subsidiary	Long-term equity investments	-	23,826	100.00	23,826	Note A
	Cermate (Shenzhen)	"	"	-	20,364	90.00	20,364	Note A

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

Note B: Market value was based on the closing price on December 31, 2011.

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2011
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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, 2011
 (In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Advantech Co., Ltd.	<u>Fund</u>													
	Prudential Well Pool Fund	Available for sale financial assets - current	-	-	-	\$ -	7,633,879.00	\$ 100,000	-	\$ -	\$ -	\$ -	7,633,879.00	\$ 100,065
	FSITC Money Market	Available for sale financial assets - current	-	-	-	-	959,093.15	165,000	-	-	-	-	959,093.15	165,024
	Fuh Hwa Money Market	Available for sale financial assets - current	-	-	-	-	7,171,749.00	100,000	-	-	-	-	7,171,749.00	100,060
Advantech Fund-A	Prudential Well Pool Fund	Available for sale financial assets - current	-	-	-	-	7,632,247.80	100,000	-	-	-	-	7,632,247.80	100,046
	FSITC Money Market	Available for sale financial assets - current	-	-	-	-	581,523.83	100,000	-	-	-	-	581,523.83	100,058

ADVANTECH CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars/Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd.	AEU	Indirect subsidiary	Sale	\$ (2,369,391)	12.73	Set for 45 days a month	Contract price	No significant difference from terms for related parties	\$ 815,784	25.05	
	ACN	Indirect subsidiary	Sale	(2,168,638)	11.65	Set for 45 days a month	Contract price	No significant difference from terms for related parties	485,057	14.89	
	AKMC	Indirect subsidiary	Sale	(424,309)	2.28	Set for 45 days a month	Contract price	No significant difference from terms for related parties	-	-	
	AJP	Subsidiary	Sale	(360,905)	1.94	Set for 45 days a month	Contract price	No significant difference from terms for related parties	29,205	0.90	
	AiSC	Indirect subsidiary	Sale	(1,686,624)	9.06	Set for 45 days a month	Contract price	No significant difference from terms for related parties	419,478	12.88	
	ANA	Indirect subsidiary	Sale	(5,299,400)	28.46	Set for 45 days a month	Contract price	No significant difference from terms for related parties	502,568	15.43	
	AKR	Subsidiary	Sale	(391,402)	2.10	Set for 45 days a month	Contract price	No significant difference from terms for related parties	24,000	0.74	
	AAU	Subsidiary	Sale	(166,614)	0.89	Set for 45 days a month	Contract price	No significant difference from terms for related parties	43,870	1.35	
	ASG	Subsidiary	Sale	(120,936)	0.65	Set for 45 days a month	Contract price	No significant difference from terms for related parties	27,414	0.84	
	ATC	Subsidiary	Purchase	6,504,451	47.90	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(1,156,197)	58.14	
	Advansus Corp.	Subsidiary	Purchase	1,156,603	8.52	Set for 30 days a month	Contract price	No significant difference from terms for related parties	(63,319)	3.18	
	AiST	Subsidiary	Purchase	413,480	3.04	Set for 30 days a month	Contract price	No significant difference from terms for related parties	-	-	
	ACA	Subsidiary	Purchase	403,886	2.97	Set for 30 days a month	Contract price	No significant difference from terms for related parties	(130,522)	6.56	
	ANA	Indirect subsidiary	Purchase	142,695	1.05	Set for 60 days a month	Contract price	No significant difference from terms for related parties	(34,865)	1.75	
	ATC	Advantech Co., Ltd.	Ultimate parent company	Sale	(6,504,451)	92.74	Set for 45 days a month	Contract price	No significant difference from terms for related parties	1,156,197	95.58
Advansus Corp.	Advantech Co., Ltd.	Ultimate parent company	Sale	(1,156,603)	80.43	Set for 30 days a month	Contract price	No significant difference from terms for related parties	63,319	54.77	
AiST	Advantech Co., Ltd.	Ultimate parent company	Sale	(413,480)	28.75	Set for 30 days a month	Contract price	No significant difference from terms for related parties	-	-	
ACA	Advantech Co., Ltd.	Ultimate parent company	Sale	(403,886)	28.08	Set for 30 days a month	Contract price	No significant difference from terms for related parties	130,522	65.02	
ANA	Advantech Co., Ltd.	Ultimate parent company	Sale	(142,695)	9.92	Set for 60 days a month	Contract price	No significant difference from terms for related parties	34,865	3.22	
	Advantech Co., Ltd.	Ultimate parent company	Purchase	5,299,400	87.95	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(502,568)	94.10	

(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	
AEU	Advantech Co., Ltd.	Ultimate parent company	Purchase	\$ 2,369,391	84.05	Set for 45 days a month	Contract price	No significant difference from terms for related parties	\$ (815,784)	100.00	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,168,638	71.96	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(485,057)	59.55	
AKMC	Advantech Co., Ltd.	Ultimate parent company	Purchase	424,309	7.01	Set for 45 days a month	Contract price	No significant difference from terms for related parties	-	-	
AJP	Advantech Co., Ltd.	Ultimate parent company	Purchase	360,905	93.09	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(29,205)	96.76	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,686,624	63.83	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(419,478)	82.55	
AKR	Advantech Co., Ltd.	Ultimate parent company	Purchase	391,402	55.17	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(24,000)	36.21	
AAU	Advantech Co., Ltd.	Ultimate parent company	Purchase	166,614	23.49	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(43,870)	72.08	
ASG	Advantech Co., Ltd.	Ultimate parent company	Purchase	120,936	17.05	Set for 45 days a month	Contract price	No significant difference from terms for related parties	(27,414)	61.06	
Advansus Corp.	AKMC	Related enterprise	Sale	(494,327)	14.17	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	34,505	29.85	
	AKR	Related enterprise	Sale	(113,615)	3.26	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	9,482	8.20	
	AiST	Related enterprise	Sale	(130,951)	3.75	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
AKMC	ATC	Related enterprise	Sale	(6,105,541)	92.50	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	371,810	77.73	
	AiSC	Related enterprise	Sale	(156,141)	2.37	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	42,494	8.88	
	Netstar Technology Co., Ltd.	Related enterprise	Sale	(259,320)	3.93	Set for 60 days a month	Mark-up pricing	No significant difference from terms for related parties	45,165	9.44	
AiST	Advansus Corp.	Related enterprise	Sale	(298,721)	28.79	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
	AKMC	Related enterprise	Sale	(277,795)	26.78	Set for 45 days a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
ACA	ACN	Related enterprise	Sale	(177,240)	17.08	Set for 45 days a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
ACN	AiSC	Related enterprise	Sale	(296,736)	8.50	Set for 60 days a month	Mark-up pricing	No significant difference from terms for related parties	11,800	1.55	
AiSC	ACN	Related enterprise	Sale	(206,285)	5.91	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	218,871	33.48	

(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	
Advansus Corp.	AiST	Related enterprise	Purchase	\$ 298,721	22.73	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	\$ -	-	
AKMC	Advansus Corp.	Related enterprise	Purchase	494,327	8.17	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	(34,505)	4.00	
	AiST	Related enterprise	Purchase	277,795	4.59	Set for 45 days a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
	ACA	Related enterprise	Purchase	177,240	2.93	Set for 45 days a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
AiST	Advansus Corp.	Related enterprise	Purchase	130,951	13.07	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	-	-	
AKR	Advansus Corp.	Related enterprise	Purchase	113,615	16.01	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	(9,482)	14.31	
ATC	AKMC	Related enterprise	Purchase	6,105,541	97.89	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	(371,810)	99.35	
AiSC	AKMC	Related enterprise	Purchase	156,141	5.69	Set for 30 days after a month	Mark-up pricing	No significant difference from terms for related parties	(42,494)	8.36	
	ACN	Related enterprise	Purchase	296,736	10.82	Set for 60 days a month	Mark-up pricing	No significant difference from terms for related parties	(11,800)	2.32	
Netstar Technology Co., Ltd.	AKMC	Related enterprise	Purchase	259,320	96.50	Set for 60 days a month	Mark-up pricing	No significant difference from terms for related parties	(45,165)	90.06	
ACN	AiSC	Related enterprise	Purchase	206,285	6.84	Set for 30 days a month	Mark-up pricing	No significant difference from terms for related parties	(218,871)	26.87	

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

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

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AEU	Indirect subsidiary	\$ 815,784	3.20	\$ -	-	\$ 178,286	\$ -
	AiSC	Indirect subsidiary	419,478	5.22	-	-	210,210	-
	ACN	Indirect subsidiary	485,057	5.39	-	-	121,775	-
	ANA	Indirect subsidiary	502,568	10.23	-	-	502,568	-
ATC	Advantech Co., Ltd.	Parent company	1,156,197	6.07	-	-	462,048	-
ACA	Advantech Co., Ltd.	Parent company	130,522	6.19	-	-	130,522	-
AKMC	ATC	Related enterprise	371,810	20.40	-	-	371,810	-
AiSC	ACN	Related enterprise	218,871	23.39	-	-	218,871	-

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2011	December 31, 2010	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	\$ 993,108	\$ 1,078,934	29,623,834	100.00	\$ 2,430,970	\$ 375,843	\$ 375,764	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	2,648,285	101,020	100,875	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	180,000	18,000,000	50.00	228,914	62,463	23,834	Equity-method investee
	AEUH	Helmond, The Netherlands	Investment holding company	1,146,489	1,146,489	9,572,024	100.00	927,895	82,641	82,641	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment and management service	900,000	900,000	90,000,000	100.00	859,697	41,372	42,409	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	261,681	20,537,984	26.55	326,510	127,733	33,913	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	99,476	17,022	17,022	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	75,745	1,416	1,416	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	194,469	24,800	24,800	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	-	5,927	-	-	-	1	1	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	39,112	3,668	3,668	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	-	(47,827)	(14,348)	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	140,733	45,955	45,955	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	26,518	17,268	10,361	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	80,772	30,541	30,541	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(159)	5,611	5,611	Subsidiary (Note A)
ACA	Taipei, Taiwan	Production and sale of portable industrial computing products	141,562	-	7,948,839	99.36	189,068	47,717	47,412	Subsidiary	
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	274,078	245,068	22,446,721	89.79	209,189	(2,077)	(1,542)	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	4,500,000	100.00	17,740	1,342	1,342	Indirect subsidiary
	Broadwin Technology Inc. Cermate Technologies Inc.	Taipei, Taiwan Taipei, Taiwan	Assembly and production of computers Production and sale of electrical equipment, telecommunications equipment and electronic parts manufacturing	142,063 71,500	172,063 71,500	6,777,571 5,500,000	100.00 55.00	157,521 84,248	11,260 16,199	11,260 8,910	Indirect subsidiary Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,212,730	1,212,730	41,650,001	100.00	1,851,814	107,419	107,419	Indirect subsidiary
ATC (HK)	AKMC	Jiangsu, China	Production and sale of industrial automation products	1,212,730	1,212,730	-	100.00	1,851,814	107,190	107,190	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,275,725	172,365	172,365	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	1,156,828	206,787	206,787	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale and fabrication of industrial automation products	185,356	185,356	-	100.00	621,670	70,127	70,127	Indirect subsidiary
	SHHQ	Shanghai, China	Sale and fabrication of industrial automation products	-	96,750	-	-	-	10	10	Indirect subsidiary
	AiSC	Shanghai, China	Sale and fabrication of industrial automation products	257,040	257,040	-	100.00	533,615	144,320	144,320	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	1,262	(7,137)	(7,137)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processing and sale of peripherals	13,727	13,727	-	60.00	15,771	89	53	Equity-method investee
AEUH	AEU	Eindhoven, The Netherlands	Sale and fabrication of industrial automation products	316,403	256,473	8,314,280	100.00	151,225	4,799	4,799	Indirect subsidiary
	APL	Warsaw, Poland	Sale and fabrication of industrial automation products	14,176	10,285	6,836	100.00	36,534	3,296	3,296	Indirect subsidiary
	A-DLoG	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	553,536	553,536	1	100.00	596,937	70,702	70,702	Indirect subsidiary
AEU	Innocore	England	Design, R&D and sale of gaming computing products	166,023	166,023	100	100.00	153,375	(4,942)	(4,942)	Indirect subsidiary
Innocore	IGL	England	Design, R&D and sale of gaming computing products	166,023	166,023	501,000	100.00	38,346	(4,942)	(4,942)	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2011	December 31, 2010	Shares	Percentage of Ownership	Carrying Value			
ASG	ATH	Thailand	Production of computers	\$ 7,537	\$ 7,537	51,000	51.00	\$ 16,882	\$ 6,633	\$ 3,383	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd. LANSONIC (B.V.I.)	Taipei, Taiwan BVI	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,340	3,632	2,762	Indirect subsidiary
			General investment	-	101,188	-	-	-	3,287	3,117	Indirect subsidiary
Broadwin Technology Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of Webaccess software	69,492	69,492	5,643,650	100.00	15,179	(128)	(128)	Indirect subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	44,317	9,949	9,949	Indirect subsidiary
LandMark	Cermate (Shanghai) Cermate (Shenzhen)	Shanghai, China Shenzhen, China	Sale of industrial electronic products	US\$ 572	US\$ 572	-	100.00	23,826	2,114	2,114	Indirect subsidiary
			Manufacture of LCD touch panels, USB data cables and industrial automation products	US\$ 308	US\$ 308	-	90.00	20,364	7,446	6,701	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 had been audited

(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND INVESTEES

**INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2011**

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

_Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note B)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$41,650 thousand	Indirect	\$ 1,129,258 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,129,258 (US\$ 37,300 thousand)	100%	\$ 107,187	\$ 1,851,814	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	90,825 (US\$ 3,000 thousand)	-	90,825 (US\$ 3,000 thousand)	-	-	10	-	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	161,426 (US\$ 5,332 thousand)	-	-	161,426 (US\$ 5,332 thousand)	100%	70,127	621,670	340,140 (US\$ 11,235 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	242,200 (US\$ 8,000 thousand)	-	-	242,200 (US\$ 8,000 thousand)	100%	144,320	533,615	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(7,137)	1,262	-

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amounts Approved by the Investment Commission, MOEA	Maximum Allowable Limit on Investment
\$1,538,939 (US\$50,832 thousand) (Note D)	\$2,088,975 (US\$69,000 thousand)	\$9,356,676 (Note F)

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 18 to the financial statements and Tables 1, 2, 6 and 7.

(Continued)

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

Note D: Included the outflow on investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ) of US\$200 thousand. This company had been liquidated already, after the capitals of the original investment is inflow back. On the return of capital to Advantech Co., Ltd., an application for the approval of this liquidation and cessation of the investment will be submitted to the Ministry of Economic Affairs in accordance with relevant regulation.

Note E: The exchange rate was US\$1.00=NT\$30.275.

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

(Concluded)