Advantech Co., Ltd.

Financial Statements for the
Nine Months Ended September 30, 2012 and 2011 and
Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of September 30, 2012 and 2011, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Engagements to Review Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of September 30, 2012 and 2011, some of these investments had carrying values of NT$6,493,388 thousand and NT$8,148,316 thousand, respectively. As of September 30, 2011, the credit balance on the carrying value of these equity-method investments was NT$1,860 thousand. The foregoing investment amounts and the net investment gains of NT$698,246 thousand and NT$654,571 thousand in the nine months ended September 30, 2012 and 2011, respectively, as well as additional disclosures in Note 20 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the investees' financial statements mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the nine months ended September 30, 2012 and 2011 for them to be 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 reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries as of and for the nine months ended September 30, 2012 and 2011 and have issued an accountants' review report thereon dated October 29, 2012 (not presented herewith) with an explanatory paragraph.

October 29, 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 review such financial statements are those generally accepted and applied in the Republic of China.

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

ADVANTECH CO., LTD.

BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 651,856	3	$ 337,905	2
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 19)	18,757	-	31,683	-
Notes receivable (Note 2)	84,022	-	56,662	-
Accounts receivable, net of allowance for doubtful accounts of $4,447 thousand in 2012 and $18,629 thousand in 2011 (Note 2)	941,650	4	826,428	4
Accounts receivable - related parties, net (Notes 2 and 17)	2,911,212	13	2,437,404	12
Other receivable	62,082	-	52,377	-
Other receivable - related parties (Note 17)	16,893	-	17,487	-
Inventories, net (Notes 2 and 7)	1,775,557	8	1,895,516	10
Deferred income tax assets - current (Notes 2 and 14)	24,304	-	20,063	-
Restricted assets	93,150	1	-	-
Prepayments and other current assets	15,531	-	24,394	-
Available-for-sale financial assets - current (Notes 2, 6 and 19)	148,286	1	-	-
Total current assets	6,743,300	30	5,699,919	28
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 19)	2,448,186	11	2,346,567	12
Investments accounted for by the equity method (Notes 2 and 8)	9,002,779	41	8,148,316	40
Total long-term funds and investments	11,450,965	52	10,494,883	52
PROPERTIES (Notes 2 and 9)				
Cost				
Land	2,596,325	12	2,613,941	13
Buildings	1,210,305	5	1,216,733	6
Machinery and equipment	590,207	3	525,585	3
Furniture and fixtures	151,795	1	129,774	1
Other equipment	317,055	1	274,657	1
Total cost	4,865,687	22	4,760,690	24
Less: Accumulated depreciation	1,001,330	4	855,224	4
	3,864,357	18	3,905,466	20
Construction-in-progress and prepayments for equipment	32,898	-	32,675	-
Net properties	3,897,255	18	3,938,141	20
OTHER ASSETS				
Refundable deposits	5,124	-	6,349	-
Deferred expenses, net (Note 2)	98,563	-	80,695	-
Total other assets	103,687	-	87,044	-
TOTAL	$ 22,195,207	100	$ 20,219,987	100

	2012		2011	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 10)	$ -	-	$ 341,440	2
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 19)	6,601	-	118,274	1
Accounts payable	684,387	3	525,326	3
Accounts payable - related parties (Note 17)	2,139,464	10	1,231,809	6
Income tax payable (Notes 2 and 14)	179,589	1	247,801	1
Accrued expenses (Note 13)	1,228,497	5	1,009,184	5
Other payable - related parties (Note 17)	-	-	260,000	1
Advance receipts and other current liabilities	124,527	1	82,567	-
Total current liabilities	4,363,065	20	3,816,401	19
LONG-TERM LIABILITIES				
Convertible bonds payable (Notes 11 and 19)	317,335	1	756,294	4
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 12)	101,448	1	103,441	1
Guarantee deposits received	-	-	6,300	-
Deferred income tax liabilities - noncurrent (Notes 2 and 14)	483,617	2	415,590	2
Deferred credits (Note 2)	265,876	1	296,724	1
Others (Notes 2 and 8)	-	-	1,860	-
Total other liabilities	850,941	4	823,915	4
Total liabilities	5,531,341	25	5,396,610	27
SHAREHOLDERS' EQUITY (Note 13)				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued and outstanding - 560,894 thousand shares in 2012 and 551,797 thousand shares in 2011	5,608,937	25	5,517,971	27
Capital surplus (Notes 2, 11 and 13)				
Additional paid-in capital from share issuance in excess of par value	4,361,870	20	3,751,469	19
From long-term equity investments	56,300	-	57,473	-
From stock options	160,910	1	188,477	1
Total capital surplus	4,579,080	21	3,997,419	20
Retained earnings (Notes 2 and 13)				
Legal reserve	2,715,184	12	2,359,910	11
Special reserve	545,303	3	621,663	3
Unappropriated earnings	3,152,364	14	2,783,507	14
Total retained earnings	6,412,851	29	5,765,080	28
Others (Notes 2, 13 and 19)				
Cumulative translation adjustments	(77,943)	-	156,749	1
Net loss not recognized as pension cost	(2,121)	-	(2,121)	-
Unrealized gain (loss) on financial instruments	143,062	-	(611,721)	(3)
Total others	62,998	-	(457,093)	(2)
Total shareholders' equity	16,663,866	75	14,823,377	73
TOTAL	$ 22,195,207	100	$ 20,219,987	100

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

(With Deloitte & Touche review report dated October 29, 2012)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 17)				
Sales	$ 14,584,230	99	$ 14,077,726	99
Sales returns and allowances	83,053	1	57,433	-
Net sales	14,501,177	98	14,020,293	99
Other operating revenues	228,019	2	188,963	1
Total operating revenues	14,729,196	100	14,209,256	100
OPERATING COSTS (Notes 7, 15 and 17)	11,121,272	75	10,252,047	72
GROSS PROFIT	3,607,924	25	3,957,209	28
UNREALIZED INTERCOMPANY GAINS (Note 2)	(201,487)	(1)	(232,335)	(2)
REALIZED INTERCOMPANY GAINS (Note 2)	200,167	1	185,219	1
ADJUSTED GROSS PROFIT	3,606,604	25	3,910,093	27
OPERATING EXPENSES (Notes 15 and 17)				
Marketing	300,226	2	344,944	2
Administration	447,517	3	342,247	2
Research and development	1,295,436	9	1,224,313	9
Total operating expenses	2,043,179	14	1,911,504	13
OPERATING INCOME	1,563,425	11	1,998,589	14
NONOPERATING INCOME AND GAINS				
Interest income	2,961	-	748	-
Investment income recognized under the equity method, net (Notes 2 and 8)	855,084	6	654,571	4
Dividend income	95,813	1	117,612	1
Gain on disposal of properties, net	34,483	-	-	-
Gain on disposal of investments, net	31,879	-	-	-
Foreign exchange gain, net (Note 2)	-	-	122,953	1
Royalty revenue (Note 17)	285,566	2	247,754	2
Rental income (Note 17)	9,117	-	26,587	-
Valuation gain on financial instruments, net (Notes 2 and 5)	95,451	-	20,869	-
Other income (Notes 6 and 17)	113,002	1	96,470	1
Total nonoperating income and gains	1,523,356	10	1,287,564	9

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ADVANTECH CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2012		2011	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2, 11 and 17)	$ 10,462	-	$ 9,602	-
Loss on sale of investments, net	-	-	33,381	-
Foreign exchange loss, net (Note 2)	53,357	1	-	-
Valuation loss on financial instruments, net (Notes 2 and 5)	39,996	-	87,784	1
Other expenses	84	-	52	-
Total nonoperating expenses and losses	103,899	1	130,819	1
INCOME BEFORE INCOME TAX	2,982,882	20	3,155,334	22
INCOME TAX (Notes 2 and 14)	347,985	2	380,450	2
NET INCOME	$ 2,634,897	18	$ 2,774,884	20

	2012		2011	
	Pretax	**After-tax**	**Pretax**	**After-tax**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS, Note 16)				
Basic	$ 5.37	$ 4.74	$ 5.72	$ 5.03
Diluted	$ 5.32	$ 4.70	$ 5.71	$ 5.03

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

(With Deloitte & Touche review report dated October 29, 2012) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,634,897	$ 2,774,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	177,801	167,091
Amortization of discount on convertible bonds	10,462	5,351
Provision for doubtful accounts	1,864	14,395
Provision (recovery of provision) for loss on inventories	51,117	(10,552)
Loss on disposal of scrap inventories	19,859	30,043
Gain on disposal of long-term equity investments, net	-	(13,508)
Loss (gain) on sale of available-for-sale financial assets, net	(31,879)	46,889
Loss (gain) on disposal of properties, net	(34,483)	5
Investment income recognized under the equity method, net	(855,084)	(654,571)
Cash dividends received from equity-method investees	224,749	168,510
Compensation cost of employee stock options	36,510	63,911
Accrued pension liabilities	(1,230)	(769)
Deferred income taxes	50,970	67,275
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(8,468)	98,270
Notes receivable	6,933	(12,653)
Accounts receivable	(171,622)	(131,173)
Accounts receivable - related parties	(516,797)	(485,347)
Other receivable	(15,730)	(3,816)
Other receivable - related parties	14,437	21,229
Inventories	(238,454)	(600,087)
Prepayments and other current assets	(3,958)	(193,514)
Accounts payable	187,267	26,550
Accounts payable - related parties	647,942	33,384
Income tax payable	(151,629)	65,956
Accrued expenses	134,729	100,257
Advance receipts and other current liabilities	20,892	(1,471)
Deferred credits	1,320	47,116
Net cash provided by operating activities	2,192,415	1,623,655
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,301,300)	-
Proceeds of capital return on available-for-sale financial assets	-	3,109
Proceeds of the disposal of available-for-sale financial assets	2,208,194	111,727
Acquisition of investments accounted for by the equity method	(311,562)	(141,562)
Proceeds of the disposal of equity-method investments	-	26,872
Proceeds of the liquidation of equity-method investments	-	20,622
Proceeds of the disposal of properties	57,664	147
Acquisition of properties	(117,259)	(1,681,535)

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
Increase in restricted assets	$ (93,150)	$ -
Increase in deferred expenses	(75,142)	(30,509)
Decrease in refundable deposits	663	676
Net cash provided by (used in) investing activities	368,108	(1,690,453)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	6,300
Issuance of convertible bonds	-	800,000
Increase in short-term loans	-	341,440
Other payables - related parties	-	260,000
Employee stock options	104,109	-
Cash dividends	(2,764,981)	(1,755,718)
Net cash used in financing activities	(2,660,872)	(347,978)
NET DECREASE IN CASH	(100,349)	(414,776)
CASH, BEGINNING OF PERIOD	752,205	752,681
CASH, END OF PERIOD	$ 651,856	$ 337,905
SUPPLEMENTARY CASH FLOW INFORMATION		
Income tax paid	$ 448,644	$ 430,430
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	$ 453,458	$ -

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

(With Deloitte & Touche review report dated October 29, 2012) (Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

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 September 30, 2012 and 2011, the Company had 1,925 and 1,723 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, pension cost, accrued product warranty reserve, bonuses paid to employees, and remunerations to directors and supervisors, etc. Actual results could differ from these estimates.

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

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

Current and Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

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

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

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

Inventories

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

Investments Accounted for by the Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not 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.

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

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company. If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities.

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

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

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

Properties

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

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

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

Deferred Expenses

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

Impairment of Assets

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

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

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

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards (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

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

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

Pension Cost

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

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

Income Tax

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

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

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

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

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

Foreign-currencies

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

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

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

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

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

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

Reclassifications

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

3. ACCOUNTING CHANGES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables being now covered by SFAS No. 34; (2) amendment of the scope of the applicability of SFAS No. 34 to insurance contracts; (3) inclusion of loans and receivables originated by the Company in the items covered by SFAS No. 34; (4) the requirement to disclose additional guidelines on impairment testing of financial assets carried at amortized cost if the asset issuer or obligor has financial difficulties and the terms of obligations on the assets have been modified; and (5) the requirement to disclose a debtor's accounting treatment for modifications in the terms of its obligations. This accounting change had no significant impact on the Company's financial statements as of and for the nine months ended September 30, 2012.

Operating Segments

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

4. CASH

	September 30	
	2012	**2011**
Cash on hand	$ 1,420	$ 1,544
Checking and demand deposits	530,436	336,361
Time deposits: Interest - 0.77% in 2012	120,000	-
	$ 651,856	$ 337,905

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	September 30	
	2012	**2011**
Financial assets resulting from trading		
Forward contracts	$ 18,757	$ 31,683
Financial liabilities resulting from trading		
Forward contracts	$ 6,601	$ 118,274

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

	Currency	Maturity	Amount (Thousands)
September 30, 2012			
Sell	USD/NTD	October 2012 - March 2013	USD37,027/NTD1,102,536
	JPY/USD	October 2012 - March 2013	JPY120,000/USD1,531
	JPY/NTD	October 2012 - February 2013	JPY130,000/NTD49,257
	EUR/USD	October 2012 - February 2013	EUR6,000/USD7,643
	EUR/NTD	October 2012 - March 2013	EUR4,500/NTD168,933
September 30, 2011			
Sell	USD/NTD	October 2011- May 2012	USD67,809/NTD1,955,097
	JPY/USD	October 2011- April 2012	JPY290,000/USD3,608
	JPY/NTD	January 2012- March 2012	JPY100,000/NTD36,607
	EUR/USD	October 2011- May 2012	EUR19,000/USD26,691
	EUR/NTD	December 2011- May 2012	EUR5,500/NTD221,466

The Company entered into forward contracts during the nine months ended September 30, 2012 and 2011 to manage exposures 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 the trading of financial assets or liabilities for trading for the nine months ended September 30, 2012 and 2011, there were a net gain of $55,455 thousand and a net loss of $66,915 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30			
	2012		2011	
	Current	Noncurrent	Current	Noncurrent
Mutual fund	$ 148,286	$ -	$ -	$ -
Quoted domestic stocks				
ASUSTEK Computer Inc.	-	1,955,418	-	1,689,641
Pegatron Corp.	-	375,990	-	528,716
Chunghwa Telecom Co., Ltd.	-	116,778	-	126,229
Quoted overseas stocks				
SG Advantech Co., Ltd.	-	-	-	1,981
	$ 148,286	$ 2,448,186	$ -	$ 2,346,567

For its securities borrowing and lending transactions, the Company put some of the quoted domestic stock recorded under available-for-sale assets - noncurrent into a trust at China Trust Commercial Bank. As of September 30, 2012, the stock held in trust amounted to $2,195,228 thousand. Please refer to Table 3 for more information. On the transactions, the Company recognized a gain of $5,922 thousand, recorded under other nonoperating income as of September 30, 2012.

7. INVENTORIES, NET

	September 30 2012	September 30 2011
Finished goods	$ 620,696	$ 658,500
Work in process	312,654	302,668
Materials and supplies	809,501	912,923
Inventories in transit	32,706	21,425
	$ 1,775,557	$ 1,895,516

As of September 30, 2012 and 2011, the allowances for inventory devaluation were $168,199 thousand and $112,266 thousand, respectively.

As of September 30, 2012 and 2011, the costs of goods sold related to inventories were $11,121,272 thousand and $10,252,047 thousand, respectively, which included losses of $51,117 thousand on inventory write-down and $19,859 thousand on inventory scrap disposal for the nine months ended September 30, 2012, and a gain of $10,552 thousand on the reversal of inventory write-down and a loss of $30,043 thousand on inventory scrap disposal for the nine months ended September 30, 2011.

8. LONG-TERM EQUITY INVESTMENTS

	September 30			
	2012		2011	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Listed				
Axiomtek Co., Ltd.	$ 326,733	26.55	$ 316,466	26.55
Unlisted				
Advantech Technology Co., Ltd.	2,920,606	100.00	2,557,403	100.00
Advantech Automation Corp. (BVI)	2,491,432	100.00	2,380,063	100.00
Advantech Europe Holding B.V.	925,066	100.00	971,165	100.00
Advantech Investment Fund-A Co., Ltd.	907,374	100.00	854,750	100.00
Advansus Corp.	513,553	100.00	228,348	50.00
ACA Digital Corporation	270,848	99.36	168,760	99.36
Advantech Japan Co., Ltd.	190,777	100.00	192,194	100.00
Advantech KR Co., Ltd.	133,381	100.00	140,025	100.00
Advantech Co. Singapore Pte, Ltd.	115,018	100.00	98,443	100.00
Advantech Australia Pty Ltd.	76,039	100.00	74,920	100.00
Advantech Intelligence Service	53,669	100.00	83,900	100.00
Advantech Co., Malaysia Sdn. Bhd.	42,186	100.00	39,697	100.00
Advantech Brazil S/A	30,149	60.00	27,584	60.00
Advantech Industrial Computing India Private Limited	5,746	99.99	-	-
Advantech (HK) Technology Co., Ltd.	202	100.00	-	-
Advantech Hungary Ltd.	-	-	14,598	30.00
	8,676,046		7,831,850	
	$ 9,002,779		$ 8,148,316	

The equity-method investees' financial statements for the same reporting periods as those of the Company, which were used to calculate the equity-method investments and the equity in the investees' net gain or loss, were all unreviewed, except those of Advantech Automation Corp. (BVI)'s subsidiaries, Advantech Corp. (ANA), Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) and Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) as of and for the nine months ended September 30, 2012 and 2011.

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

In September 2012, to meet its sales growth and market expansion needs, the Company invested $5,567 thousand in India to establish a subsidiary, Advantech Industrial Computing India Private Limited (AIN), of which the Company became a 99.99% shareholder.

Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to goodwill for the nine months ended September 30, 2012 and 2011 were as follows:

	Nine Months Ended September 30	
	2012	**2011**
Cost		
Balance, beginning of period	$ 162,003	$ 93,108
Amount recognized on acquisition of investments	62,931	68,970
Amount derecognized on disposal of investments	-	(357)
Translation adjustment	(3,021)	3,924
Balance, end of period	$ 221,913	$ 165,645

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the nine months ended September 30, 2011. 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 September 30, 2011, there was a credit balance of $1,860 thousand on the carrying value of this investment, included in other liability - others.

The market values of the listed shares, which were calculated on the basis of the closing prices as of September 30, 2012 and 2011, were $498,046 thousand and $452,863 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the nine months ended September 30, 2012 and 2011.

9. PROPERTIES

The changes in properties were as follows:

	Nine Months Ended September 30, 2012				
	Beginning Balance	Acquisition	Disposal	Reclassification	Ending Balance
Properties					
Cost					
Land	$ 2,613,941	$ -	$ 17,616	$ -	$ 2,596,325
Buildings	1,216,732	-	6,427	-	1,210,305
Machinery and equipment	543,819	8,308	8,672	46,752	590,207
Furniture and fixtures	144,116	11,251	3,572	-	151,795
Other equipment	281,299	33,404	3,160	5,512	317,055
	4,799,907	$ 52,963	$ 39,447	$ 52,264	4,865,687
Accumulated depreciation					
Buildings	222,154	$ 23,533	$ 935	$ -	244,752
Machinery and equipment	395,271	54,031	8,672	-	440,630
Furniture and fixtures	91,803	15,453	3,534	-	103,722
Other equipment	183,695	31,656	3,125	-	212,226
	892,923	$ 124,673	$ 16,266	$ -	1,001,330
	3,906,984				3,864,357
Prepayments for equipment	23,118	$ 64,296	$ -	$ (54,516)	32,898
	$ 3,930,102				$ 3,897,255

	Nine Months Ended September 30, 2011				
	Beginning Balance	Acquisition	Disposal	Reclassification	Ending Balance
Properties					
Cost					
Land	$ 1,113,352	$ 1,500,589	$ -	$ -	$ 2,613,941
Buildings	1,182,812	33,921	-	-	1,216,733
Machinery and equipment	451,039	45,627	5,668	34,587	525,585
Furniture and fixtures	115,997	15,124	1,347	-	129,774
Other equipment	242,815	26,345	176	5,673	274,657
	3,106,015	$ 1,621,606	$ 7,191	$ 40,260	4,760,690
Accumulated depreciation					
Buildings	181,600	$ 30,021	$ -	$ -	211,621
Machinery and equipment	337,884	46,875	5,580	-	379,179
Furniture and fixtures	79,777	12,040	1,282	-	90,535
Other equipment	144,310	29,755	176	-	173,889
	743,571	$ 118,691	$ 7,038	$ -	855,224
	2,362,444				3,905,466
Prepayments for equipment	13,964	$ 59,930	$ -	$ (41,219)	32,675
	$ 2,376,408				$ 3,938,141

10. SHORT-TERM LOANS

		September 30	
		2012	2011
Credit loans - interest rate:	0.93%-1.02% in 2011	$ -	$ 341,440

As of September 30, 2012, unused short-term credit lines amounted to $2,854,175 thousand.

11. BONDS PAYABLE

	September 30 2012	September 30 2011
Unsecured domestic convertible bonds	$ 328,600	$ 800,000
Deduct: Unamortized discount on bonds payable	(11,265)	(43,706)
	$ 317,335	$ 756,294

On May 26, 2011, the Company issued 3-year unsecured convertible bonds, with an aggregate face value of $800,000 thousand and a coupon rate of 0%, the effective interest rate was 2.13%. Bondholders may convert the bonds into the Company's common shares at an agreed-upon conversion price between May 27, 2012 and May 16, 2014. If the bonds are not converted, the Company should redeem the bonds at their face value upon maturity. Under Statement of Financial Accounting Standard (SFAS) No. 36 - "Financial Instruments: Disclosure and Presentation," the Company has bifurcated the bonds into their liability and equity components. The bonds had been recorded as stock options from capital surplus amounting to $44,716 thousand and bonds payable amounting to $750,943 thousand. As of September 30, 2012, bondholders had converted $471,400 thousand worth of bonds into 5,881 thousand common shares. Conversion price was $78.22 per share.

12. PENSION PLAN

Under the Labor Pension Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension costs under the defined contribution plan were $57,603 thousand and $49,725 thousand for the nine months ended September 30, 2012 and 2011, respectively.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can cumulate up to 45 base points, and the benefits are based on an employee's average monthly salary or wage for the nine months before retirement. Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan. The pension costs under the defined benefit pension plan were $6,240 thousand and $5,571 thousand for the nine months ended September 30, 2012 and 2011, respectively. As of September 30, 2012 and 2011, the balances of the pension fund were $113,957 thousand and $115,163 thousand, respectively.

13. SHAREHOLDERS' EQUITY

Capital Surplus

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

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

Appropriation of Earnings and Dividend Policy

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

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

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

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

The bonus to employees and remunerations to directors and supervisors of $54,000 thousand and $38,000 thousand for the nine months ended September 30, 2012 and 2011, respectively (classified under accrued expenses), were estimated and accrued on the basis of past experience. If there are material differences between these estimates and the amounts proposed by the Board of Directors in the following year, these estimates adjusted in the year of the proposal. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

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

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

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

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

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

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

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

	Cash Nine Months Ended September 30	
	2011	2010
Bonus to employees	$ 60,000	$ 20,000
Remuneration to directors and supervisors	12,000	10,000

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

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

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

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

The status of employee stock options is as follows:

	Nine Months Ended September 30			
	2012		2011	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of year	11,801	$53.05	13,000	$60.35
Options granted	-	-	-	-
Options exercised	2,017	51.62	-	-
Balance, end of year	9,784		13,000	
Options exercisable, end of year	9,784		-	
Weighted-average fair value of options granted (NT$)	$16.45-$20.25		$16.45-$20.25	

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

	September 30			
	2012		2011	
	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2010	$56.1	2.78	$59.03	3.78
Issuance in 2009	48.4	2.17	51.01	3.17

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

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

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

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

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

Compensation costs recognized were $36,510 thousand and $63,911 thousand for the nine months ended September 30, 2012 and 2011, respectively.

14. INCOME TAX

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

	September 30	
	2012	**2011**
Tax on pretax income at statutory rate	$ 507,090	$ 536,407
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(48,796)	(33,134)
Other	(47,218)	(23,645)
Temporary differences	(88,408)	(57,066)
Additional 10% income tax on unappropriated earnings	51,747	862
Investment tax credit	(77,400)	(110,249)
Income tax currently payable	$ 297,015	$ 313,175

b. Income tax expense consisted of the following:

	September 30	
	2012	**2011**
Income tax currently payable	$ 297,015	$ 313,175
Deferred income tax expense		
Temporary differences	50,970	67,275
	$ 347,985	$ 380,450

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 the income tax payable shown in the balance sheet were as follows:

	September 30	
	2012	**2011**
Balance, beginning of period	$ 331,218	$ 365,056
Income tax currently payable	297,015	313,175
Payment	(448,644)	(430,430)
Balance, end of period	$ 179,589	$ 247,801

d. Deferred income tax assets (liabilities) were as follows:

	September 30 2012	September 30 2011
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 28,594	$ 19,085
Unrealized product warranty reserve	2,149	6,416
	30,743	25,501
Deferred income tax liabilities		
Unrealized foreign exchange gain	(6,439)	(5,438)
Deferred income tax assets, net	$ 24,304	$ 20,063
Noncurrent		
Deferred income tax assets		
Deferred credits	$ 34,253	$ 50,443
Accumulated equity in the net loss of foreign investees	26,974	31,016
Pension cost	17,247	17,725
Translation adjustments	15,960	-
	94,434	99,184
Valuation allowance	(26,974)	(31,016)
	67,460	68,168
Deferred income tax liabilities		
Accumulated equity in the net gains of foreign investees	(551,077)	(483,758)
Deferred income tax liabilities, net	$ (483,617)	$ (415,590)

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

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

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

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

	September 30 2012	September 30 2011
Balance of the imputation credit account (ICA)	$ 89,351	$ 22,099

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

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

15. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	Nine Months Ended September 30					
	2012			2011		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	$ 240,941	$ 1,223,340	$ 1,464,281	$ 227,288	$ 1,128,269	$ 1,355,557
Insurance	24,816	71,317	96,133	21,034	59,582	80,616
Pension	14,401	49,442	63,843	13,385	41,911	55,296
Others	20,368	52,593	72,961	22,712	42,684	65,396
	$ 300,526	$ 1,396,692	$ 1,697,218	$ 284,419	$ 1,272,446	$ 1,556,865
Depreciation	$ 23,490	$ 101,183	$ 124,673	$ 23,179	$ 95,512	$ 118,691
Amortization	$ 70	$ 53,058	$ 53,128	$ 7,404	$ 40,996	$ 48,400

16. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousand)	Pretax	After-tax
Nine months ended September 30, 2012					
Basic EPS					
Net income	$ 2,982,882	$ 2,634,897	555,308	$ 5.37	$ 4.74
Impact of dilutive potential common stock					
Convertible bonds	10,462	10,462	7,250		
Bonuses to employees	-	-	441		
Diluted EPS	$ 2,993,344	$ 2,645,359	562,999	$ 5.32	$ 4.70
Nine months ended September 30, 2011					
Basic EPS					
Net income	$ 3,155,334	$ 2,774,884	551,797	$ 5.72	$ 5.03
Impact of dilutive potential common stock					
Bonuses to employees	-	-	372		
Diluted EPS	$ 3,155,334	$ 2,774,884	552,169	$ 5.71	$ 5.03

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 settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

17. RELATED-PARTY TRANSACTIONS

a. Related parties

Related Party	Relationship with the Company
Advantech Investment Fund-A Co., Ltd. (“Advantech Fund-A”)	Equity-method investee
Axiomtek Co., Ltd. (“Axiomtek”)	Equity-method investee
Advansus Corp.	Equity-method investee
Advantech Intelligent Service (AiST)	Equity-method investee
ACA Digital Corporation (ACA)	Equity-method investee
Advantech Europe Holding B.V. (AEUH)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech KR Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech (HK) Technology Co., Ltd. (AHK)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Industrial Computing India Private Limited (AIN)	Equity-method investee
Advantech Europe B.V. (AEU)	Equity-method investee of AEUH
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEUH
DLoG GmbH (A-DLoG)	Equity-method investee of AEU
Innocore Holding Limited (Innocore)	Equity-method investee of AEU
Innocore Gaming Ltd. (UK) (IGL)	Equity-method investee of Innocore
Advantech Automation Corp. (H.K.) Limited (AAC (HK))	Equity-method investee of AAC (BVI)
HK Advantech Technology Co., Ltd. (ATC (HK))	Equity-method investee of ATC
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Corp. (ANA)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (HK)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Equity-method investee of AAC (HK)
Xi’an Advantech Software Ltd. (AXA)	Equity-method investee of AAC (HK)
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Advantech International PT (AID)	Equity-method investee of ASG
Netstar Technology Co., Ltd. (“Netstar”)	Equity-method investee of Advantech Fund-A

(Continued)

Related Party	Relationship with the Company
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. (“Broadwin”)	Equity-method investee of Advantech Fund-A
Cermate Technologies Inc. (“Cermate”)	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	Equity-method investee of Netstar
Avalue Technology Inc. (“Avalue”)	The Company’s chairman is Avalue Technology Inc.’s director (until 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 7.

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

	2012		2011	
For the nine months ended September 30	Amount	% to Total	Amount	% to Total
Sales				
ANA	$ 4,193,492	28	$ 3,830,009	27
AEU	1,793,601	12	1,850,011	13
ACN	1,538,862	10	1,686,281	12
AiSC	1,328,911	9	1,318,883	9
AKMC	420,996	3	332,087	2
AKR	333,874	2	290,238	2
AJP	258,503	2	275,861	2
AAU	131,284	1	124,683	1
ASG	99,597	1	90,392	1
ABR	70,069	1	65,122	1
ACA	63,015	-	33,494	-
AMY	39,926	-	27,715	-
Axiomtek	31,014	-	20,890	-
ATH	27,248	-	48,096	1
A-DLoG	23,926	-	9,083	-
APL	8,331	-	8,214	-
Advansus Corp.	5,721	-	10,042	-
Cermate	1,971	-	162	-
Netstar	1,688	-	2,701	-
Broadwin	1,190	-	1,820	-
AiST	-	-	26,378	-
Avalue	-	-	21,205	-
Innocore	-	-	6,151	-

For the nine months ended September 30	2012 Amount	2012 % to Total	2011 Amount	2011 % to Total
BCM	-	-	596	-
Other	7	-	30	-
	$ 10,373,226	69	$ 10,080,144	71
Purchase				
ATC	$ 5,748,881	52	$ 4,948,017	48
ACA	1,508,139	14	147,786	1
Advansus Corp.	472,974	4	957,475	9
Netstar	80,912	1	56,211	1
ANA	65,772	1	95,218	1
A-DLoG	23,253	-	912	-
Jan Hsiang	16,095	-	16,030	1
Cermate	4,588	-	13,276	-
AEU	3,181	-	1,622	-
ACN	1,535	-	12,288	-
AiSC	674	-	-	-
AAU	558	-	58	-
Axiomtek	188	-	88	-
Broadwin	106	-	170	-
AiST	-	-	413,480	4
AKR	-	-	4,713	-
BCM	-	-	2,285	-
Advantofine	-	-	315	-
Others	143	-	132	-
	$ 7,926,999	72	$ 6,670,076	65
Operating expenses				
Rental expense				
K&M	$ 4,020	-	$ 3,574	-
AIDC	2,619	-	2,618	-
	6,639	-	6,192	-
Administration expense				
ASG	5,343	-	3,526	-
AAC (HK)	4,136	-		
AHK	-	-	4,955	-
AMY	-	-	459	-
	9,479	-	8,940	-
	$ 16,118	-	$ 15,132	-

	2012		2011	
	Amount	% to Total	Amount	% to Total
Nonoperating income and gains				
Royalty revenue for patent				
ATC	$ 285,566	100	$ 247,754	100
Rental revenues				
Advansus Corp.	$ 45	-	$ 5,265	20
BCM	45	-	585	2
Advantech Fund-A	27	-	27	-
	$ 117	-	$ 5,877	22
Other revenue				
ANA	$ 16,518	15	$ 14,763	15
ACN	14,141	13	21,217	22
AJP	12,397	11	11,973	12
AEU	10,437	9	9,610	10
A-DLoG	7,873	7	2,993	3
AiSC	6,483	6	-	-
AKR	5,765	5	3,607	4
ACA	3,780	3	-	-
ABR	3,611	3	887	1
AAU	2,724	2	1,937	2
ASG	2,583	2	1,677	2
AMY	1,846	2	1,057	1
ATH	1,672	1	343	-
Axiomtek	1,322	1	-	-
AIDC	1,125	1	1,125	1
Netstar	720	1	720	1
Broadwin	720	1	720	-
Cermate	540	1	540	-
K&M	375	1	375	-
Advansus Corp.	51	-	13,485	14
	$ 94,683	84	$ 87,029	53
Nonoperating expenses and losses				
Interest expense				
Advantech Fund-A	$ -	-	$ 1,367	14

Other revenues are mainly provided from management service and technical support.

	2012		2011	
	Amount	% to Total	Amount	% to Total
At the end of nine months ended September 30				
Accounts receivable - related parties				
Accounts				
AEU	$ 897,454	31	$ 872,748	36
ANA	656,744	23	498,773	20
ACN	583,116	20	367,321	15
AiSC	545,859	19	417,246	17
AKR	58,533	2	47,845	2
AKMC	34,006	1	64,727	3
AJP	28,149	1	44,366	2
ABR	25,836	1	22,240	1
AAU	16,859	1	44,234	2
ASG	16,775	1	18,571	1
ACA	14,257	-	14,251	1
Axiomtek	13,058	-	4,331	-
AMY	7,255	-	6,225	-
Advansus Corp.	4,964	-	435	-
A-DLoG	2,500	-	1,047	-
APL	2,313	-	1,981	-
ATH	2,162	-	8,112	-
Netstar	1,258	-	2,405	-
Broadwin	110	-	484	-
Cermate	4	-	62	-
	$ 2,911,212	100	$ 2,437,404	100
Other receivables - related parties				
AEU	$ 3,317	20	$ 2,286	13
ACN	3,282	20	4,187	24
ANA	1,784	11	1,722	10
A-DLoG	1,645	10	1,436	8
ABR	1,244	8	385	2
AKR	1,112	7	939	5
ASG	877	5	822	5
AJP	863	5	1,037	6
AIN	649	4	-	-
ACA	441	3	-	-
AMY	382	2	314	2
AAU	371	2	1,289	7
Broadwin	252	1	168	1
AKMC	252	1	-	-
Netstar	84	-	168	1
Cermate	63	-	-	-
AiSC	38	-	289	2
Advansus Corp.	25	-	1,984	11
AAC (HK)	23	-	337	2
Other	189	1	124	1
	$ 16,893	100	$ 17,487	100

	2012		2011	
	Amount	% to Total	Amount	% to Total
Accounts payable - related parties				
ATC	$ 1,636,067	76	$ 1,100,729	90
ACA	329,679	16	10,183	1
Advansus Corp.	112,389	5	86,629	7
Netstar	43,298	2	12,741	1
ANA	11,340	1	15,492	1
Jan Hsiang	1,966	-	987	-
A-DLoG	1,447	-	173	-
ASG	1,050	-	594	-
AAC (HK)	871	-	-	-
AiSC	564	-	-	-
AAU	540	-	37	-
Cermate	118	-	1,076	-
APL	88	-	298	-
AEU	5	-	569	-
ACN	-	-	2,076	-
AKR	-	-	107	-
AMY	-	-	79	-
Other	42	-	39	-
	$ 2,139,464	100	$ 1,231,809	100
Other payables - related parties				
Advantech Fund-A	$ -	-	$ 260,000	100
Acquisition of assets				
Advansus Corp.	$ 2,424	-	$ 21	-
ACA	1,701	-	16,403	-
AKMC	142	-	-	-
ANA	70	-	-	-
Netsatar	-	-	667	-
BCM	-	-	10	-
	$ 4,337	-	$ 17,101	-
Disposal of assets				
Advansus Corp.	$ 16	-	$ 48	-
AKMC	-	-	89	-
AJP	-	-	10	-
	$ 16	-	$ 147	-

Financing from related parties was as follows:

	Nine Months Ended September 30, 2011			
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Other payable related parties				
Advantech Fund-A	$ 300,000	$ 260,000	1.2%	$ 1,367

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

18. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of September 30, 2012, the Company had the following guarantees for related parties' loans:

	Amount
AKMC	$ 585,900 thousand

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ 148,286	$ 148,286	$ -	$ -
Available-for-sale financial assets - noncurrent	2,448,186	2,448,186	2,346,567	2,346,567
Liabilities				
Convertible bonds payable	317,335	425,571	756,294	819,284
Derivative financial instruments by location				
Financial assets at fair value through profit or loss - current				
Domestic	5,735	5,735	9	9
Foreign (including a foreign corporation operating locally)	13,022	13,022	31,674	31,674
Financial liabilities at fair value through profit or loss - current				
Domestic	1,532	1,532	38,509	38,509
Foreign (including a foreign corporation operating locally)	5,069	5,069	79,765	79,765

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 receivable, other receivable from related parties, refundable deposits, short-term loans, accounts payable, payables to related parties, expenses payable, dividend payable, other payable to related parties and guarantee deposits received, the carrying amounts of these financial instruments approximate their fair values.

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

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

c. Fair values of financial assets and liabilities based on quoted market prices or on estimates made using valuation techniques were as follows:

	Based on the Quoted Market Price		Estimates Made Using Valuation Techniques	
	September 30		September 30	
	2012	2011	2012	2011
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 18,757	$ 31,683
Available-for-sale financial assets - current	148,286	-	-	-
Available-for-sale financial assets - noncurrent	2,448,186	2,346,567	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	6,601	118,274
Convertible bonds payable	425,571	819,284	-	-

d. As of September 30, 2012 and 2011, financial assets exposed to fair value interest rate risk amounted to $213,150 thousand and $0 thousand, respectively; financial liabilities amounted to $0 thousand and $341,440 thousand, respectively; and financial assets exposed to cash flow interest rate risk amounted to $528,418 thousand and $335,279 thousand, respectively.

e. The Company recognized an unrealized gain of $796,576 thousand and an unrealized loss of $153,886 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the nine months ended September 30, 2012 and 2011, respectively. The Company also recognized unrealized losses of $4,924 thousand and $54,053 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the nine months ended September 30, 2012 and 2011, respectively.

f. Financial risks

1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge against adverse exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.

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

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

20. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 17 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.

b. Investments in mainland China

1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of September 30, 2012, accumulated inward remittance of earnings as of September 30, 2012 and maximum allowable limit on investment: Table 8 (attached)

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 17 and 18, and Tables 1, 2, 5 and 6.

21. SEGMENT INFORMATION

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

22. SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	September 30					
	2012			2011		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Financial assets						
Monetary items						
USD	$ 108,628	29.295	$ 3,182,257	$ 78,723	30.480	$ 2,399,477
EUR	22,717	37.89	860,747	21,195	41.230	873,870
JPY	77,763	0.378	29,394	114,306	0.398	45,494
Nonmonetary items						
USD	640	29.295	18,757	1,039	30.480	31,683

(Continued)

	September 30					
	2012			2011		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Investments accounted for by the equity method						
USD	$ 184,743	29.295	$ 5,412,038	$ 162,833	30.480	$ 4,963,150
EUR	24,415	37.89	925,066	23,555	41.230	971,165
JPY	504,701	0.378	190,777	482,901	0.398	192,194
KRW	5,130,038	0.026	133,381	5,385,579	0.026	140,025
SGD	4,808	23.92	115,018	4,187	23.510	98,443
Financial liabilities						
Monetary items						
USD	86,690	29.295	2,539,584	54,543	30.480	1,662,471
Nonmonetary items						
USD	225	29.295	6,601	3,880	30.480	118,274

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Credit Line (Note E)		Actual Disbursement		Interest Rate	Nature of Financing	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can be Provided by the Financier
				Maximum Balance for the Period	Ending Balance	Maximum Balance for the Period	Ending Balance						Item	Value		
1	AEUH	AEU	Other receivable - related parties	$ 19,775 (EUR 500 thousand)	$ 18,945 (EUR 500 thousand)	$ 19,775 (EUR 500 thousand)	$ 18,945 (EUR 500 thousand)	4%	Short-term financing	$ -	Financing need	$ -	-	-	$ 1,666,387 (Note B)	$ 3,332,773 (Note B)
2	ANA	AKMC	Other receivable - related parties	165,648 (US$ 5,600 thousand)	152,334 (US$ 5,200 thousand)	165,648 (US$ 5,600 thousand)	152,334 (US$ 5,200 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,666,387 (Note B)	3,332,773 (Note B)
3	AiSC	ACN	Other receivable - related parties	239,791 (RMB 50,911 thousand)	169,391 (RMB 36,350 thousand)	239,791 (RMB 50,911 thousand)	169,391 (RMB 36,350 thousand)	2%	Short-term financing	-	Financing need	-	-	-	242,320 (Note C)	242,320 (Note C)
4	Advantech Fund-A	Advantech Co., Ltd. (the "Company")	Other receivable - related parties	300,000	300,000	-	-	1.2%	Short-term financing	-	Financing need	-	-	-	364,578 (Note D)	364,578 (Note D)

Note A. The exchange rates as of September 30, 2012 were EUR1.00=NT$37.89; US$1.00=NT$29.295; and RMB1.00=NT$4.660.

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

Note C. The maximum amount of financing that can be provided by the financier is RMB52,000 thousand. For more efficient use of capital by the subsidiaries in Mainland China, the financing is deposited to a special capital-financing bank account in Citibank and is managed by ACN.

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

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

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	$ 1,666,387 (10% of the Company's net asset value)	$ 599,800 (US$ 20,000 thousand)	$ 585,900 (US$ 20,000 thousand)	$ -	3.52%	$ 4,999,160 (30% of the Company's net asset value)

Note: The exchange rate was US$1=NT$29.295.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands of New Taiwan Dollars/Foreign Currency)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd. (the "Company")	Stock							
	AAC (BVI)	Subsidiary	Long-term equity investments	29,623,834	$ 2,491,432	100.00	$ 2,492,570	Note A
	ATC	〃	〃	38,750,000	2,920,606	100.00	2,938,649	Note A
	Advansus Corp.	〃	〃	36,000,000	513,553	100.00	548,451	Note A
	Advantech Fund-A	〃	〃	90,000,000	907,374	100.00	911,444	Note A
	Axiomtek	Equity-method investee	〃	20,537,984	326,733	26.55	326,733	Note A
	AEUH	Subsidiary	〃	9,572,024	925,066	100.00	925,647	Note A
	ASG	〃	〃	1,450,000	115,018	100.00	115,018	Note A
	AAU	〃	〃	500,204	76,039	100.00	76,039	Note A
	AJP	〃	〃	1,200	190,777	100.00	190,777	Note A
	AMY	〃	〃	2,000,000	42,186	100.00	42,186	Note A
	AKR	〃	〃	600,000	133,381	100.00	133,381	Note A
	ABR	〃	〃	971,055	30,149	43.28	30,149	Note A
	AiST	〃	〃	5,000,000	53,669	100.00	53,669	Note A
	ACA	〃	〃	7,948,839	270,848	99.36	288,700	Note A
	AHK	〃	〃	999,999	202	100.00	202	Note A
	AIN	〃	〃	999,999	5,746	99.99	5,746	Note A
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	6,139,461	1,955,418	0.82	1,955,418	Notes B and E
	Pegatron Corp	-	〃	9,855,570	375,990	0.44	375,990	Notes B and F
	Chunghwa Telecom Co., Ltd.	-	〃	1,243,636	116,778	0.02	116,778	Notes B and G
	Fund							
	Taishin 1699 Money Market	-	Available for sale financial assets - current	11,314,307.06	148,286	-	148,286	Note D
Advantech Fund-A	Stock							
	Netstar Technology Co., Ltd	Subsidiary	Long-term equity investments	23,215,892	259,611	92.86	259,611	Note A
	BCM Embedded Computer Inc.	〃	〃	4,500,000	18,092	100.00	18,092	Note A
	Broadwin Technology Inc.	〃	〃	6,777,571	149,338	100.00	149,338	Note A
	Cermate Technologies Inc.	〃	〃	5,500,000	92,237	55.00	92,237	Note A
	Axiomtek	Equity-method investee	〃	1,559,000	36,183	2.02	36,183	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2012				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	$ 15,489	0.002	$ 15,489	Note B
	AverMedia Information Inc.	-	〃	808,500	15,402	0.823	15,402	Note B
	Taiwan 50	-	〃	170,000	9,376	-	9,376	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	8,392,207.10	110,620	-	110,620	Note D
	FSITC Money Market	-	〃	581,523.83	100,601	-	100,601	Note D
	Fuh Hwa Money Market	-	〃	4,285,129.50	60,113	-	60,113	Note D
	Taishin 1699 Money Market	-	〃	839,816.46	11,007	-	11,007	Note D
Advansus Corp.	<u>Fund</u>							
	Taishin 1699 Money Market	-	Available for sale financial assets - current	8,409,500.50	110,216	-	110,216	Note D
AiST	<u>Fund</u>							
	FSITC Money Market	-	Available for sale financial assets - current	94,155.75	16,289	-	16,289	Note D
	Fuh Hwa Money Market	-	〃	2,581,311.30	36,211	-	36,211	Note D
ATC	<u>Stock</u>							
	ATC (HK)	Subsidiary	Long-term equity investments	41,650,001	1,928,047	100.00	1,928,047	Note A
ATC (HK)	<u>Stock</u>							
	AKMC	Subsidiary	Long-term equity investments	-	1,928,047	100.00	1,928,047	Note A
AAC（BVI）	<u>Stock</u>							
	ANA	Subsidiary	Long-term equity investments	10,952,606	1,339,088	100.00	1,339,088	Note A
	AAC (HK)	〃	〃	15,230,001	1,151,388	100.00	1,151,388	Note A
ANA	<u>Stock</u>							
	ABR	-	Financial assets carried at cost - noncurrent	375,192	5,634	16.72	5,634	-
AAC (HK)	<u>Stock</u>							
	ACN	Subsidiary	Long-term equity investments	-	611,132	100.00	611,132	Note A
	AiSC	〃	〃	-	559,171	100.00	559,171	Note A
	AXA	〃	〃	-	(20,101)	100.00	(20,101)	Notes A and C
ACN	<u>Stock</u>							
	Hangzhou Advantofine Automation Co., Ltd.	Subsidiary	Long-term equity investments	-	15,491	60.00	15,491	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AEUH	Stock							
	AEU	Subsidiary	Long-term equity investments	8,314,280	$ 748,539	100.00	$ 748,539	Note A
	APL	〃	〃	7,030	38,449	100.00	38,449	Note A
AEU	Stock							
	Innocore	Subsidiary	Long-term equity investments	251,111	145,991	100.00	145,991	Note A
	A-DLoG	〃	〃	1	605,268	100.00	605,268	Note A
Innocore	Stock							
	IGL	Subsidiary	Long-term equity investments	501,000	44,699	100.00	44,699	Note A
ASG	Stock							
	ATH	Subsidiary	Long-term equity investments	51,000	17,619	51.00	17,619	Note A
	AID	〃	〃	100,000	46	100.00	46	
Netstar Technology Co., Ltd	Stock							
	Jan Hsiang Electronics Co., Ltd.	Subsidiary	Long-term equity investments	655,500	6,668	28.50	6,668	Note A
	Fund							
	Mega Diamond Money Market	-	Available for sale financial assets - current	1,650,829.66	20,030	-	20,030	Note D
Cermate Technologies Inc.	Stock							
	Land Mark	Subsidiary	Long-term equity investments	972,284	51,532	100.00	51,532	Note A
BCM Embedded Computer Inc.	Fund							
	FSITC Money Market	-	Available for sale financial assets - current	61,033.03	10,559	-	10,559	Note D
Broadwin Technology Inc.	Fund							
	Fuh Hwa Money Market	-	Available for sale financial assets - current	469,058.20	6,580	-	6,580	Note D
	FSITC Money Market	-	〃	258,991.69	44,805	-	44,805	Note D
Land Mark	Stock							
	Cermate (Shanghai)	Subsidiary	Long-term equity investments	-	24,537	100.00	24,537	Note A
	Cermate (Shenzhen)	〃	〃	-	27,437	90.00	27,437	Note A
ACA	Fund							
	Union Money Market	-	Available for sale financial assets - current	1,569,883.36	20,104	-	20,104	Note D
	Taishin 1699 Money Market	-	〃	13,004,771.85	170,442	-	170,442	Note D

(Continued)

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

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

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 September 30, 2012.

Note E: The amount included $1,719,900 thousand, the carrying value of 5,400,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 6 of the financial statements for more information.

Note F: The amount included $358,610 thousand, the carrying value of 9,400,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 6 of the financial statements for more information.

Note G: The amount included $116,718 thousand, the carrying value of 1,243,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 6 of the financial statements for more information.

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEES

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

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Advantech Co., Ltd.	Fund													
(the "Company")	Mega Diamond Money Market	Available for sale financial assets - current	-	-	-	$ -	23,166,011.89	$ 280,000	23,166,011.89	$ 280,943	$ 280,000	$ 943	-	$ -
	FSITC Money Market	Available for sale financial assets - current	-	-	959,093.15	165,000	704,052.28	121,300	1,663,145.43	287,100	286,300	800	-	-
	Fuh Hwa Money Market	Available for sale financial assets - current	-	-	7,171,749.00	100,000	11,451,978.60	160,000	18,623,727.60	260,501	260,000	501	-	-
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	21,464,632.66	280,000	10,150,325.60	133,000	132,405	595	11,314,307.06	147,595
	Eastspring Inv Well Pool Money Market	Available for sale financial assets - current	-	-	7,633,879.00	100,000	13,715,780.20	180,000	21,349,659.20	280,798	280,000	798	-	-
	Yuanta Wan Tai Money Market	Available for sale financial assets - current			-	-	19,127,636.10	280,000	19,127,636.10	280,817	280,000	817	-	-
	Stock													
	Advansus Corp.	Investment accounted for by the equity method	Pegatron Corp.		18,000,000.00	228,914	18,000,000.00	306,000 (Note)	-	-	-	-	36,000,000.00	513,533
Advansus Corp.	Fund													
	FSITC Money Market	Available for sale financial assets - current	-	-	465,121.72	80,000	638,454.77	110,000	1,103,576.49	190,486	190,000	486	-	-
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	16,058,561.58	210,000	7,649,061.08	100,000	99,970	30	8,409,500.50	110,030
ACA	Fund													
	Taishin 1699 Money Market	Available for sale financial assets - current	-	-	-	-	13,387,233.68	175,000	382,461.83	5,000	4,991	9	13,004,771.85	170,009

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

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands of New Taiwan Dollars/Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd. (the "Company")	AEU	Indirect subsidiary	Sale	$ (1,793,601)	12.18	45 days after month end	Contract Price	No significant difference from terms for related parties	$ 897,454	22.80	
	ACN	Indirect subsidiary	Sale	(1,538,862)	10.45	45 days after month end	Contract Price	No significant difference from terms for related parties	583,116	14.81	
	AKMC	Indirect subsidiary	Sale	(420,996)	2.86	45 days after month end	Contract Price	No significant difference from terms for related parties	34,006	0.86	
	AJP	Subsidiary	Sale	(258,503)	1.76	45 days after month end	Contract Price	No significant difference from terms for related parties	28,149	0.72	
	AiSC	Indirect subsidiary	Sale	(1,328,911)	9.02	45 days after month end	Contract Price	No significant difference from terms for related parties	545,859	13.87	
	ANA	Indirect subsidiary	Sale	(4,193,492)	28.47	45 days after month end	Contract Price	No significant difference from terms for related parties	656,744	16.68	
	AKR	Subsidiary	Sale	(333,874)	2.27	45 days after month end	Contract Price	No significant difference from terms for related parties	58,533	1.49	
	AAU	Subsidiary	Sale	(131,284)	0.89	45 days after month end	Contract Price	No significant difference from terms for related parties	16,859	0.43	
	ATC	Subsidiary	Purchase	5,748,881	51.69	45 days after month end	Contract Price	No significant difference from terms for related parties	(1,636,067)	57.94	
	Advansus Corp.	Subsidiary	Purchase	472,974	4.25	30 days after month end	Contract Price	No significant difference from terms for related parties	(112,389)	3.98	
	ACA	Subsidiary	Purchase	1,508,139	13.56	30 days after month end	Contract Price	No significant difference from terms for related parties	(329,679)	11.67	
ATC	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Sale	(5,748,881)	99.69	45 days after month end	Contract Price	No significant difference from terms for related parties	1,636,067	86.98	
Advansus Corp.	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Sale	(472,974)	20.92	30 days after month end	Contract Price	No significant difference from terms for related parties	112,389	21.89	
ACA	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Sale	(1,508,139)	60.17	30 days after month end	Contract Price	No significant difference from terms for related parties	329,679	65.56	
ANA	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	4,193,492	88.72	45 days after month end	Contract Price	No significant difference from terms for related parties	(656,744)	100.00	
AEU	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	1,793,601	86.46	45 days after month end	Contract Price	No significant difference from terms for related parties	(897,454)	100.00	

(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	
AJP	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	$ 258,503	88.56	45 days after month end	Contract Price	No significant difference from terms for related parties	$ (28,149)	96.36	
ACN	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	1,538,862	72.34	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(583,116)	62.97	
AKMC	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	420,996	8.39	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(34,006)	2.45	
AiSC	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	1,328,911	62.76	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(545,859)	77.90	
AKR	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	333,874	54.80	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(58,533)	53.37	
AAU	Advantech Co., Ltd. (the "Company")	Ultimate parent company	Purchase	131,284	21.55	30 days after arrival of goods	Mark-up pricing	No significant difference from terms for related parties	(16,895)	44.44	
Advansus Corp.	AKMC	Related enterprise	Sale	(799,120)	35.34	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	177,844	34.64	
	AKR	Related enterprise	Sale	(105,959)	4.69	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	16,787	3.27	
	ACA	Related enterprise	Sale	(162,717)	7.20	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	52,707	10.27	
ACN	AiSC	Related enterprise	Sale	(215,080)	9.51	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	28,183	3.83	
AKMC	AiSC	Related enterprise	Sale	(140,444)	2.56	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	51,152	6.99	
AiSC	AKMC	Related enterprise	Sale	(142,587)	5.93	Immediate Payment	Mark-up pricing	No significant difference from terms for related parties	62,404	6.95	
AKMC	ATC	Related enterprise	Sale	(5,076,822)	92.72	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	628,252	85.82	
ACA	AKMC	Related enterprise	Sale	(569,605)	22.73	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	106,403	22.16	
AiSC	ACN	Related enterprise	Sale	(115,793)	4.81	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	204,092	22.72	
AKMC	Netstar Technology Co., Ltd.	Related enterprise	Sale	(203,811)	3.72	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	45,471	6.21	

(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	
ACA	Advansus Corp.	Related enterprise	Sale	$ (409,424)	16.34	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	$ 56,978	11.33	
AKMC	Advansus Corp.	Related enterprise	Purchase	799,120	15.92	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(177,844)	12.83	
AKR	Advansus Corp.	Related enterprise	Purchase	105,959	17.39	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(16,787)	15.31	
ACA	Advansus Corp.	Related enterprise	Purchase	162,717	6.92	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(52,707)	7.73	
AKMC	AiSC	Related enterprise	Purchase	142,587	2.84	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(62,404)	4.50	
	ACA	Related enterprise	Purchase	569,605	11.35	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(106,403)	7.68	
ACN	AiSC	Related enterprise	Purchase	115,793	5.44	45 days after month end	Mark-up pricing	No significant difference from terms for related parties	(204,092)	22.08	
Netstar	AKMC	Related enterprise	Purchase	203,811	96.88	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(45,471)	20.28	
Advansus Corp.	ACA	Related enterprise	Purchase	409,424	20.34	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(56,978)	10.87	
ATC	AKMC	Related enterprise	Purchase	5,076,822	99.76	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(628,252)	99.82	
AiSC	ACN	Related enterprise	Purchase	215,080	10.16	30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(28,183)	4.02	
	AKMC	Related enterprise	Purchase	140,444	6.63	Next 30 days after month end	Mark-up pricing	No significant difference from terms for related parties	(51,152)	7.30	

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd. (the "Company")	AEU	Indirect subsidiary	$ 897,454	2.67	$ -	-	$ 142,482	$ -
	AiSC	Indirect subsidiary	545,859	3.24	-	-	131,828	-
	ACN	Indirect subsidiary	583,116	3.46	-	-	43,943	-
	ANA	Indirect subsidiary	656,744	9.18	-	-	393,884	-
ATC	Advantech Co., Ltd. (the "Company")	Parent company	1,636,067	4.43	-	-	921,137	-
Advansus Corp.	Advantech Co., Ltd. (the "Company")	Parent company	112,389	5.43	-	-	56,148	-
ACA	Advantech Co., Ltd. (the "Company")	Parent company	329,679	6.39	-	-	224,794	-
	AKMC	Related enterprise	106,403	5.59	-	-	-	-
AiSC	ACN	Related enterprise	204,092	0.64	-	-	34,703	-
AKMC	ATC	Related enterprise	628,252	9.97	-	-	169,921	-
ANA	AKMC	Related enterprise	154,973	0.04	-	-	-	-
Advansus Corp.	AKMC	Related enterprise	177,844	6.06	-	-	40,920	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 30, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd. (the “Company”)	AAC (BVI)	BVI	Investment and management service	$ 993,108	$ 993,108	29,623,834	100.00	$ 2,491,432	$ 137,873	$ 138,882	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,231,118	1,231,118	38,750,000	100.00	2,920,606	369,602	359,184	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	486,000	180,000	36,000,000	100.00	513,553	99,763	79,020	Subsidiary
	AEUH	Helmond, The Netherlands	Investment and management service	1,146,489	1,146,489	9,572,024	100.00	925,066	20,409	19,828	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment holding company	900,000	900,000	90,000,000	100.00	907,374	57,702	56,064	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	26.55	326,733	129,196	33,958	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	115,018	13,087	13,087	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	76,039	592	592	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	190,777	2,752	2,752	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	42,186	3,222	3,222	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	133,381	22,515	22,515	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	30,149	12,567	7,540	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	53,669	133	133	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	202	361	361	Subsidiary
	ACA	Taipei, Taiwan	Production and sale of portable industrial computing products	141,562	141,562	7,948,839	99.36	270,848	136,454	117,728	Subsidiary
	AIN	India	Sale of industrial automation products	5,567	-	999,999	99.99	5,746	218	218	Subsidiary
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	283,308	274,078	23,215,892	92.86	259,611	44,361	41,168	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	4,500,000	100.00	18,092	294	294	Indirect subsidiary
	Broadwin Technology Inc.	Taipei, Taiwan	Assembly and production of computers	142,063	142,063	6,777,571	100.00	149,338	2,500	2,500	Indirect subsidiary
	Cermate Technologies Inc.	Taipei, Taiwan	Production and sale of electrical equipment, telecommunications equipment and electronic parts manufacturing	71,500	71,500	5,500,000	55.00	92,237	16,505	9,078	Indirect subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	35,329	35,329	1,559,000	2.02	36,183	129,196	2,584	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	41,650,001	100.00	1,928,047	133,733	133,733	Indirect subsidiary
ATC (HK)	AKMC	Jiangsu, China	Production and sale of industrial automation products	1,212,730	1,212,730	-	100.00	1,928,047	133,733	133,733	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,339,088	106,159	106,159	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,151,388	30,143	30,143	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	611,132	8,531	8,531	Indirect subsidiary
	AiSC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	559,171	42,148	42,148	Indirect subsidiary
	AXA	Xi’an, China	Development and production of software products	32,960	32,960	-	100.00	(20,101)	(21,463)	(21,463)	Indirect subsidiary (Note A)
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processing and sale of peripherals	13,727	13,727	-	60.00	15,491	340	204	Equity-method investee
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	316,403	316,403	8,314,280	100.00	748,539	16,926	16,926	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100.00	38,449	3,308	3,308	Indirect subsidiary
AEU	Innocore	England	Design, R&D and sale of gaming computing products	166,023	166,023	251,111	100.00	145,991	14	(10,129)	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	605,268	48,467	28,125	Indirect subsidiary
Innocore	IGL	England	Design, R&D and sale of gaming computing products	166,023	166,023	501,000	100.00	44,699	14	14	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 30, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
ASG	ATH	Thailand	Production of computers	$ 7,537	$ 7,537	51,000	51.00	$ 17,619	$ 1,422	$ 725	Indirect subsidiary
	AID	Indonesia	Sale of industrial automation products	3,330	-	100,000	100.00	46	(70)	(7)	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	6,668	(2,252)	(1,055)	Indirect subsidiary
Cermate Technologies Inc	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	51,532	9,194	9,194	Indirect subsidiary
LandMark	Cermate (Shanghai)	Shanghai, China	Sale of industrial electronic products	US$ 572	US$ 572	-	100.00	24,537	1,449	1,449	Indirect subsidiary
	Cermate (Shenzhen)	Shenzhen, China	Manufacture of LCD touch panels, USB data cables and industrial automation products	US$ 308	US$ 308	-	90.00	27,437	8,606	7,745	Indirect subsidiary

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2012	Accumulated Inward Remittance of Earnings as of September 30, 2012
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$41,650 thousand	Indirect	$ 1,092,704 (US$ 37,300 thousand)	$ -	$ -	$ 1,092,704 (US$ 37,300 thousand)	100%	$ 133,733	$ 1,928,047	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	156,201 (US$ 5,332 thousand)	-	-	156,201 (US$ 5,332 thousand)	100%	8,531	611,132	329,129 (US 11,235 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US$8,000 thousand	Indirect	234,360 (US$ 8,000 thousand)	-	-	234,360 (US$ 8,000) thousand)	100%	42,148	559,171	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US$1,000 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(21,463)	(20,101)	-

Accumulated Investment in Mainland China as of September 30, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Maximum Allowable Limit on Investment
$1,489,123 (US$50,832 thousand) (Note D)	$2,021,355 (US$69,000 thousand)	$10,064,983 (Note F)

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Note 17 to the financial statements and Tables 1, 2, 5 and 6.

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

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

Note E: The exchange rate was US$1.00=NT$29.295.

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